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Vol. XVI

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1936

No. 539

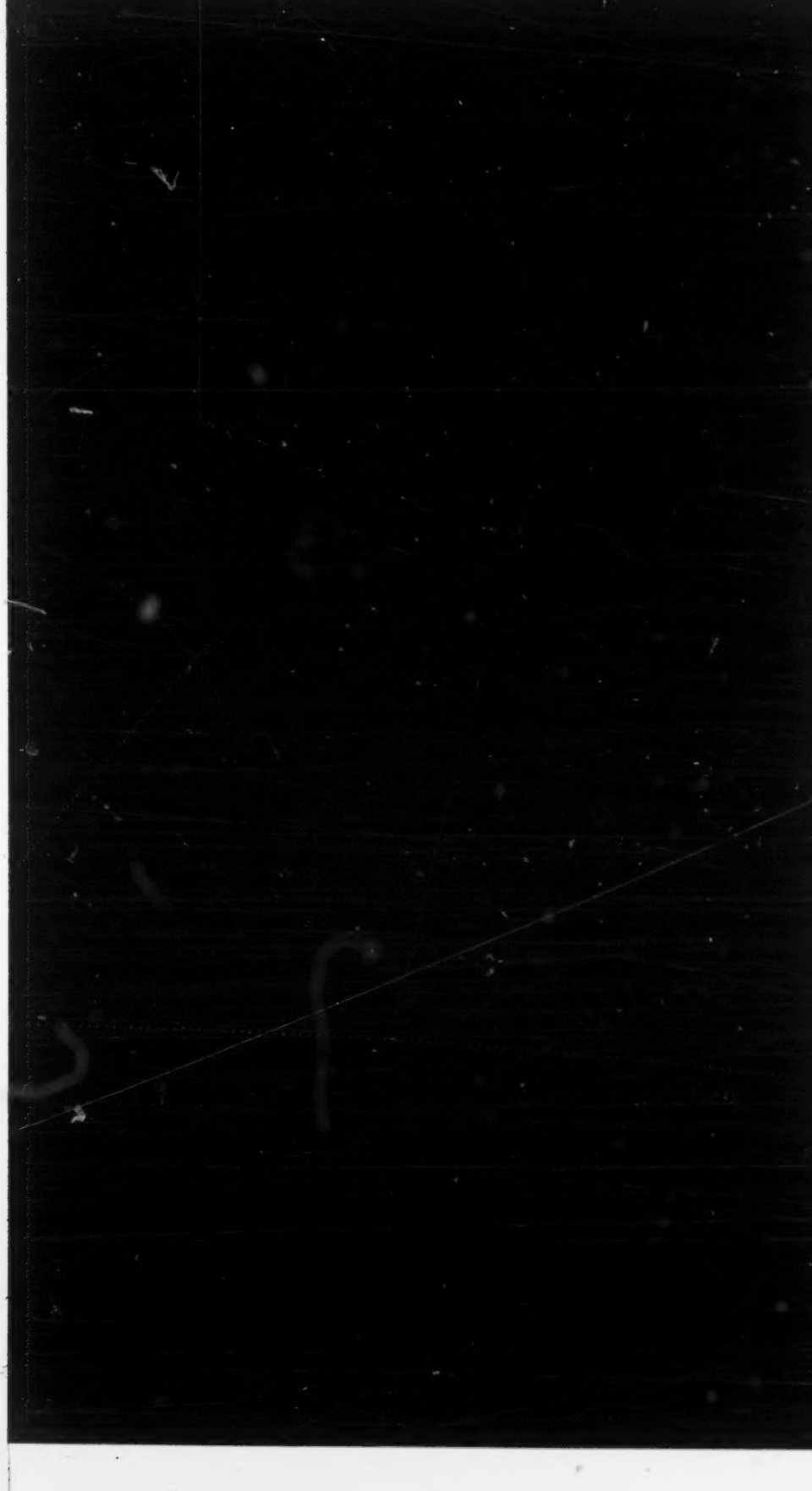
THE OHIO BELL TELEPHONE COMPANY,
APPELLANT,

vs.

THE PUBLIC UTILITIES COMMISSION OF OHIO

APPEAL FROM THE SUPREME COURT OF THE STATE OF OHIO

FILED NOVEMBER 20, 1936.



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JUDD & DETWEILER (INC.), PRINTERS, WASHINGTON, D. C., JANUARY 18, 1937.

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[fol. 14921] EXHIBIT X-433 P. 1

(Copy)

Letter to Telephone Company Presidents

August 26, 1927.

Prices on approximately fifty classes of telephone apparatus will be reduced, effective September 1, 1927, on shipments on and after that date and until further notice. These price reductions are due largely to the further introduction of labor saving machinery in our plants, improvements in manufacturing methods, increased efficiency of our personnel and a more stable production program which has been made possible by continued progress in standardizing and stocking apparatus and equipment.

Some of the more important classes of apparatus affected are:

Class	Per Cent Price Reduction
Relays	11
Flameproof Distributing Frame Wire	14
Relay Call Indicator Mounting Units	28
Straightforward Trunking Mounting Units	10
Subsets and Telephone Sets	3
Lamps (Switchboard)	18
Protector Blocks	24
Keys and Key Units	5
Dials	6
Fuses	7
Telephone Repeater Sets	26
Carrier Current Equipment	23

The prices effective September 1st will result in an annual reduction of approximately $3,750,000 to the Bell Telephone Companies based on the present volume of their purchases. Taking into consideration the loop cable prices made effective July 1, 1927, as announced in my letter of June 9th, price reductions made in the latter half of this year will aggregate over $5,000,000 on an annual basis. Price reductions made during the years 1926 and 1927, together with those covered by this letter, will total approximately $20,000,000 annually, on the present volume of purchases.

[fol. 14922] Substantial improvement has also been made in the cost of equipment specification and installation work. The outstanding factors contributing to this result were: Increased efficiency of our personnel, further simplification of equipment specification practices and installing methods, greater utilization of standardized equipment units and stocking plans, and the introduction of improved labor saving testing equipment.

In addition, through the excellent cooperation given by the various organizations of the Operating Companies, it has been possible to obtain a better coordination of our work, through the equalizing or leveling of load requirements, which has resulted in an appreciable reduction in costs.

Improvements made in equipment specifications and installation costs through 1926 and 1927 will result in an annual saving of at least $6,000,000 in addition to the $20,000,000 for apparatus and cable. Since our charges to you for this class of work are adjusted currently to changing costs, these savings as accomplished are reflected in our billing. The total price reductions referred to, including equipment specification and installation work, amount to 13% on our annual sales to the Bell Telephone Companies.

The changes to be made effective September 1, 1927 will be announced in detail through the usual medium of revisions to our Price List.

Yours very truly, (Signed) E. S. Bloom, President.

EXHIBIT X-434

October 17, 1930.

Mr. Frederick H. Reid, President Mountain States Telephone and Telegraph Company, 931 Fourteenth Street, Denver, Colorado.

DEAR MR. REID:

During the years 1926 to 1929 many important reductions were made in the prices of our products and charges for our services to the Associated Companies, largely the result of our constant effort to increase the efficiency of our operations. Price reductions made since the beginning of 1926 have resulted in an annual saving to the Associated Com-

[fol. 14923] panies of approximately $100,000,000 based on their present volume of purchases. This means that, at January 1, 1926, prices, the Associated Companies would have paid over 25% more for their 1930 purchases than the actual billing rendered.

During 1929 (January 1, February 1, and July 1) reductions in telephone apparatus prices amounting to over $12,000,000 annually. We had hoped to maintain these lower prices, and possibly make further reductions, in view of the estimates of last year that the future requirements of the Associated Companies would average close to $500,000,000 per year during the five years from 1930 to 1934.

As you know, in preparation for this estimated volume of business, large additions have been made to our manufacturing plants in order that we might satisfactorily meet the requirements of the Associated Companies. Unfortunately, however, as a result of the present depression the expected requirements of the Associated Companies have been continually decreasing, and it now appears that our volume of sales for the year 1930 will be about 25% less than the amount estimated in the Fall of 1929. Furthermore, present indications are that the volume for 1931 will be substantially below the 1930 total.

Under these circumstances it is impossible to maintain the present level of prices and we propose to readjust prices for Western Electric apparatus to approximately the level prevailing at the close of 1928. Therefore, effective on shipments made on and after November 1, 1930, and until further notice, prices for Western Electric apparatus, except lead covered cable, will be increased about 9% on the average. This will result in an increase of about $12,000,000 annually based on the present view of 1931 requirements of which about $2,000,000 will be effective in 1930.

Our present price level on telephone apparatus and equipment is about 72% of the January 1, 1926 level. With the readjustments effective November 1, 1930, the level will be about 79%, or 21% lower than at January 1, 1926.

Prices will be increased on practically all classes of apparatus and equipment except cable, and will be announced in detail through the usual revision of our Price List.

[fols. 14924-14944] I am enclosing a list showing the ap-

proximate percentage increase for some of the more important items.

Sincerely yours, (Sgd.) Edgar S. Bloom, President.

Enc.
O.

Important Price Increases

Effective November 1, 1930

	Per Cent Increase
Step-by-Step Systems—Mechanical Equipment	10
Panel Systems—Mechanical Equipment	12
Manual Central Office Switchboards:	
#1, #2 and #3—Standard Assemblies	6
#11—Standard Assemblies	20
P. B. X. Switchboards:	
#506—Standard Assemblies	3
#550-SC & 551—Standard Assemblies	11
Carrier Current Equipment	8
Repeater Equipment:	
Telephone Repeater Panels	13
Telephone Repeater Units & Bays—Standard Assemblies	25
Vacuum Tubes—#101, #102 and #104 Types	10
Common Systems:	
Condensers	10
Cords	6
Frames—Intermediate Distributing	18
Jacks and Jack Mountings	12
Keys, Key Units and Mountings	6
Message Registers	10
Mounting Units—Relay—Standard Assemblies	15
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Relays	10
Relay Racks	20
Substation Apparatus:	
Dials	11
Hand Telephone Sets	4
Subscribers' Sets	12
Loading Coils and Cases	5
Cable Terminals	10

[fol. 14945] EXTRACTS FROM DEPOSITION EXHIBIT 4

Agreement Testified to by Witness Jewett, Entered Into on December 30, 1926

This agreement, made this 30th day of December, 1926, between Western Electric Company, Incorporated, a corporation of the State of New York (hereinafter called the Seller), and Electrical Research Products, Inc., a corporation of the State of Delaware (hereinafter called the Buyer):

. . . . . .

Whereas, it is mutually desired by the parties hereto that the Buyer shall, subject to certain reservations hereinafter set forth, purchase the business of the Seller which is distinct from its Bell System business, Graybar business, International business and Canadian business, as herein defined, and it is also mutually desired that the Buyer shall purchase certain property, effects, assets, rights, licenses and good-will of the Seller and shall in consideration thereof and the payment by the Seller of the sum of One million dollars ($1,000,000) in cash, issue to the Seller all of the shares of stock of the Buyer which it is authorized to issue;

. . . . . .

Article II

Section 1. Assets to be Sold

The Seller agrees to pay to the Buyer the sum of One million dollars ($1,000,000) in cash and to sell, assign, transfer and deliver to the Buyer, and the Buyer agrees to purchase and accept from the Seller, at the times and in the [fol. 14946] manner and for the consideration herein expressed, all of the following property of the Seller:

(a) One hundred fifty thousand (150,000) shares of the capital stock of Graybar Electric Company, Inc.

(b) Twenty-six thousand, one hundred sixty (26,160) shares of the capital stock of Northern Electric Company, Limited.

(c) One hundred (100) shares of the capital stock of Western Electric Company, Limited of Canada.

(d) One hundred (100) shares of Western Electric Company, Limited of London.

(e) All accounts receivable which are owing on the date of sale by Western Electric Company, Limited of Canada to the Seller.

(f) All accounts receivable which are owing on the date of sale by Western Electric Company, Limited of London to the Seller.

(g) Bonds and certificates of indebtedness of the United States of the aggregate face value of Thirty million dollars ($30,000,000) subject to outstanding agreements by the Seller to re-sell said securities or any part thereof at rates or on bases fixed at the time the same were purchased by the Seller, which re-sale agreements are assumed by the Buyer.

(h) All accounts receivable outstanding on the date of sale which relate solely to the business herein agreed to be transferred.

(i) All interest accrued and unpaid to the date of sale on items (e), (f), (g) and (h) above listed.

(j) All royalties accrued and unpaid to the date of sale under contracts to be assigned by the Seller to the Buyer as hereinafter provided, less such part of said royalties as the Seller is obligated to pay to others.

(k) Apparatus, material and equipment which on the date of sale is under lease or loan by the Seller in the course of that part of the Seller's business to be transferred hereunder to the Buyer.

[fol. 14747] (l) Claim against Russia on account of deposits in banks, stock interest in and receivables from N. C. Heisler & Company, and accounts receivable owing to the Seller (as assignee of International Western Electric Company, Incorporated and its subsidiaries) from Russian customers.

(m) Claim against Germany for losses and damages in Belgium growing out of the World War.

(n) The Seller's business (as distinguished from its property) existing on the date of sale which is separate and distinct from the business herein reserved to the Seller.

(o) All right, title and interest which the Seller has the right so to transfer, in and to all contracts, good-will, patents, trade-marks and trade-names of the Seller (except the trade-mark or trade-name "Western Electric") in so far as but only to the extent that the same respectively pertain to the business and property herein agreed to be transferred, and subject to all the reservations, terms, conditions and limitations in this agreement contained. Among said contracts so to be transferred are included specifically, but not by way of limitation, the contracts listed in "Schedule A" attached hereto and made a part hereof.

• • • • • • •

The Seller hereby agrees, subject to all the provisions of this agreement, that it will, upon request of the Buyer, assign and transfer to the Buyer (so far as and to the extent that the Seller shall have the right so to do) all rights of the Seller pertaining to the field of business herein agreed to be transferred to the Buyer in, to and under all patents which the Seller may hereafter acquire relating or applicable to the said field of business.

• • • • • • •

"SCHEDULE A"

(1) Contract dated February 4, 1926 between The Telegraph Construction and Maintenance Company Limited and Western Electric Company, Incorporated, relating to continuously loaded submarine telegraph cables;

[fol. 14948] (2) Contract dated January 19, 1926 between Western Electric Company, Incorporated and Felton & Guilleaume Carlswerk Aktien Gesellschaft, relating to continuously loaded submarine telegraph cables;

(3) Contract dated April 20, 1926 between Western Electric Company, Incorporated and The Vitaphone Corporation, relating to electrical recording and reproduction of sound and the synchronization thereof with the taking or reproduction of motion pictures;

(4) Contract dated March 18, 1925 between Western Electric Company, Incorporated and Victor Talking Machine Company, relating to apparatus for the electrical recording of sound;

(5) Contract dated May 1, 1925 between Victor Talking Machine Company and International Western Electric Com-

pany, Incorporated (and duly assigned by the latter to Western Electric Company, Incorporated) relating to apparatus for the electrical recording of sound;

(6) Contract dated June 26, 1925, between Western Electric Company, Incorporated and Victor Talking Machine Company, relating to acoustic reproducing and amplifying apparatus for reproducing sound by mechanical means;

(7) Contract dated July 19, 1926 between Western Electric Company, Incorporated and Victor Talking Machine Company, relating to acoustic reproducing and amplifying apparatus for reproducing sound by mechanical means;

(8) Contract dated May 1, 1925 between The Gramophone Company, Limited and International Western Electric Company, Incorporated (and duly assigned by the latter to Western Electric Company, Incorporated), relating to the electrical recording of sound;

(9) Contract dated January 19, 1926 between Western Electric Company, Incorporated and The Gramophone Company, Limited, relating to acoustic reproducing and amplifying apparatus for reproducing sound by mechanical means;

(10) Contract dated February 26, 1925 between Western Electric Company, Incorporated and Columbia Phonograph [fol. 14949] Company, Incorporated, relating to apparatus for the electrical recording of sound;

(11) Contract dated April 22, 1925 between Columbia Graphophone Company, Limited and International Western Electric Company, Incorporated (and duly assigned by the latter to Western Electric Company, Incorporated) relating to apparatus for the electrical recording of sound.

In addition to the above portions of the contract quoted in full, the remaining portions of the contract in brief are as follows:

Article I

Section 1 defines "Bell System Business" as all business of every description of the seller directly or indirectly with the companies comprising the Bell System, as the same is now or hereafter conducted. Section 2 defines Bell System. Section 3 defines "Graybar Business" to be all business of every description of the seller directly or indirectly

with or for Graybar Electric Company, Inc., as the same is now or may hereafter be conducted. Section 4 defines "International Business" as all business of every description of the seller directly or indirectly with or for the International Telephone and Telegraph Company or International Standard Electric Corporation, as the same is now or may hereafter be conducted. Section 5 defines "Canadian Business" as all business now or at any time hereafter transacted by the seller in or with firms or corporations domiciled in Canada or Newfoundland. Section 6 defines "Patents" to include all rights in respect of inventions, whether for the United States or other countries. Section 7 provides that where any property assigned to the buyer under the terms hereof is inseparable from property to be retained by seller under the terms hereof, the seller retains legal title for the benefit of buyer and seller. Section 8 provides that where patents covered by the contract are applicable to the fields of business of the buyer and that reserved to the seller, the party holding legal title thereto grants to the other party exclusive licenses for the field of business of such other party; and for action to be brought by such party.

[fol. 14950] Article II

Section 1 printed in full above. Section 2 provides that where contracts are to be assigned attempts will be made to secure consent of other parties, and, if not, buyer shall be entitled to the profits therefrom. Section 3. Seller specifically reserves to itself all its Bell System business, Graybar business, International business and Canadian business, and all business with the following customers: (a) such companies now or hereafter designated or known as Bell Connecting Companies as the seller may from time to time exclude from the provisions of its contract with Graybar; (b) companies other than Bell System and Bell Connecting Companies operating public communication service with which seller may at any time during the term of the contract enter into continuing contracts to supply its manufactures; (c) United States Government; (d) manufacturers who may from time to time purchase seller's apparatus for incorporation in apparatus manufactured by such other manufacturers for sale either to the seller only or to the seller and other customers; and (e) employees of the seller and its subsidiaries and employees of

companies comprising the Bell System. Section 4. As and when the existing obligations of seller with reference to its Graybar, International or Canadian business are terminated, the seller shall transfer to buyer such parts of such businesses as seller may elect to sell at a price to be mutually agreed upon or determined by arbitration. Section 5. Seller specifically reserves right to make sales direct to customers in special cases deemed by it desirable but shall paid to buyer profit that latter would have derived in case it had made such sale. Section 6. Agreement subject to all contracts and obligations of seller and seller reserves rights necessary to enable it to carry out said contracts except in so far as they are transferred to buyer. Section 7. Seller reserves the right to modify its existing contractual relations with respect to the business reserved and to either enlarge or restrict the character and extent of same; and upon such enlargement or restriction seller shall pay to buyer or buyer to seller such compensation therefor as may be mutually agreed upon or determined by arbitration. Section 8. Buyer agrees to carry out the obligations of seller [fol. 14951] in connection with contracts, business or other assets transferred to buyer. Section 9 provides for reimbursement for taxes to seller in those cases paid on investments transferred to buyer.

Article III

Section 1 quoted in full above. Section 2 provides that the buyer shall, subject to the provisions of this article, assign to seller all rights pertaining to the field reserved to the seller, to all patents which buyer may hereafter acquire relating to such field of business. Section 3. Patents acquired by either party subject to any conditions shall be subject to transfer to the other party only upon the assumption by the other party of all conditions, obligations and restrictions, and royalties. Section 4. Each party agrees to exchange information with the other relating to inventions, apparatus, systems, materials and processes applicable to the field of the other party. Section 5. Each party agrees to furnish to the other, upon request, all services, apparatus, material and merchandise relating to other respective fields which they may be in a position to perform; all services to be paid for at cost and all apparatus at prices and terms as favorable as those to other customers. Section 6. Seller reserves and buyer agrees to assign to

the seller any and all patents which it may hereafter acquire and all right, title and interest for businesses and fields similar to or of the same character as the seller's Bell System business or Graybar business. Section 8. Buyer agrees that it will first obtain the approval of the seller before granting licenses or rights to others for methods or processes of manufacture.

Article IV

Section 1. Buyer agrees to issue and deliver to seller certificates representing 750,000 shares of stock without par value in consideration of the cash payment provided for in the contract and the business, property, effects, assets, rights, licenses and good will to be transferred to the buyer. Section 2. Documents of transfer provided for. Section 3. Arbitration provided for. Section 4. The date of the sale of the business covered by this agreement shall be January 1, 1927. Section 5. Construction of contract to be in accordance with the laws of the State of New York.

[fol. 14952] DEPOSITION EXHIBIT 5

Chart, Testified to by Witness Blair-Smith, Which Shows the Number of Employees as of January 1 of Each Year of the Treasury Department of the A. T. & T. Co.

12/23/31.

American Tel. & Tel. Co.
Treasury Department
Number of Employees as of January 1st of Each Year

	1923	1924	1925	1926	1927	1928	1929	1930	1931
1 General Statistical			3	4	7	8	11	14	14
2 Methods	12	20	9	10	12	15	19	28	26
3 Results									
4 Office Service			14	13	15	16	16	18	20
5 Mail & Files	12	14	21	18	19	18	23	25	27
6 Stenographic	7	13	18	20	20	20	26	33	35
Total Adm.	31	47	65	65	73	77	95	118	122
7 Transfer Bureau	52	36	51	37	43	42	57	101	84
8 Stock Record "	104	81	86	76	77	80	100	106	126
9 Empl. Stock "	9	6	3	..	..	..	..	..	15
10 Boston Office	55	55	20	19	19	18	17	22	22
Total	220	178	160	132	139	140	174	229	247
11 Securities Records Section				6	6	7	7	7	8
12 Cashier's Section	12	13	12	13	13	12	12	17	19
13 Dividend & Coupon Section	49	37	27	25	24	19	19	17	17
14 Bell Securities Section	..	..	5	6	7	7	7	17	19
Total	61	50	44	50	50	45	45	58	63
Grand Total	312	275	269	247	262	262	314	405	432

These totals do not include the Treasurer.

Dec. 23, 1931.

(Here follows 1 photo, Exhibit 6, side folio 14953)

DEPOSITION EXHIBIT 6

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

TREASURY DEPARTMENT

Treasurer
940 employees

Administration Division
108 employees

- Development and improvement of Department methods and preparation of instructions; analyses and research work necessary to advise Associated Companies in matters affecting Treasury work; preparation of bulletins and letters advising Associated Companies of recommended practices and consultation by personal visits or correspondence on general Treasury problems.
  11 employees
- Development of general Treasury statistics; relations with bank commissioners on securities; special studies of finance and related questions; preparation of financial booklets and publications; special financial correspondence; listings of securities on Exchanges.
  14 employees
- Study and analysis of various operations including the preparation of work reports and cost statements reflecting general operating results; selection and training of employees and other personnel activities.
  12 employees
- Departmental budget and cost statements; office service records; storage and distribution of office supplies; messenger service; other general services related to the work of the Department as a whole.
  19 employees
- Receipt and dispatch of mail; maintenance of correspondence files; storage and cremation of records.
  25 employees
- General stenographic service for the Department.
  28 employees

Stock Division
188 employees

- Issue, registration and transfer of capital stock of the Company; issue, registration, exchange, conversion and redemption of bonds and maintenance of records pertaining to the funded indebtedness of the Company; payment of bond interest; contacts with the Company's security holders by correspondence, by telephone, or in person at the New York Treasury Office; assistance to Associated Companies in the engraving and issue of securities.
  88 employees
- Maintenance of accounts of stockholders; issue and delivery of dividend checks, stockholders statistics and reports; mailing of circulars and notices to stockholders. Information at source. Tax information and reports.
  83 employees
- Handling subscriptions of Bell System employees for stock to be paid for by assignment of dividends and maintenance of related records. Verification of all lists of completed payments by employees.
  13 employees
- Treasury Office at Boston for transfer of stock, registration, exchange and conversion of bonds, payment of coupons and other services to security holders. Custody of certain duplicate stock records.
  80 employees

Financial Division
86 employees

- Purchase and sale of temporary investment securities; custody of securities owned by the Company; acceptance of subscriptions under salary deduction provision of Employees' Stock Plan; safekeeping of Bell System and U. S. government securities owned by employees and placed with Company; all related correspondence, records and reports.
  8 employees
- Receipt and disbursement of Company funds, including payrolls; verification of bank statements (except dividend); related correspondence, records and reports. Similar activities for Bell Telephone Securities Company and 195 Broadway Corporation.
  15 employees
- Verification of dividend bank statements; placing and withdrawal of bank stop payment orders for dividend checks; verification of paid bond interest coupons; related correspondence and records; preparation of cremation records for paid bonds and coupons.
  17 employees
- Bell Telephone Securities Section
  Purchase of American Telephone shares in plan to assist small investors; applications and accounts of purchasers New York office; all related records; correspondence; employee and miscellaneous purchases and sales of securities.
  11 employees

Chicago Branch Office

14953

92629A

[fol. 14954] DEPOSITION EXHIBIT 7

Document Testified to by Witness Blair-Smith, Consisting of Several Typewritten Pages, Dated April 30, 1931

Treasury Department

April 30, 1931.

Mr. H. Blair-Smith, Treasurer:

Attached are two statements marked "Exhibit A" and "Exhibit B" which distribute the expenses of the Treasury Department on two estimated bases between those chargeable to license contract and to other activities for the years 1923 to 1930.

The distribution of expenses (called Basis 1) shown in Exhibit A is based on charging security issue and 1930 bond conversion expenses to other activities of the Department, whereas the distribution (called Basis 2) shown on Exhibit B includes these expenses in license contract activities. The security issue and bond conversion expenses will be referred to hereafter in this memorandum as security issue expenses and will be understood to include such expenses as have been developed as being assignable to this classification in past reviews of departmental expenses, plus estimated indirect security issue expenses of the Administration Division.

A summary of these two estimates, which shows the effect of switching the security issue expenses of the department from one classification to the other, is given below:

[fol. 14955]

Deposition Exhibit 7—Continued

Distribution of Treasury Department Expenses

Year	Total Expenses	Charged to License Contract Basis 1	% of Total	Security Issue Expenses	Charged to License Contract Basis 2	% of Total
1923	$954,861	$85,363.28	8.94	$74,255.17	$159,618.45	16.72
1924	1,258,097	123,204.82	9.79	389,093.71	512,298.53	40.72
1925	944,914	116,199.24	12.30	55,773.22	171,972.46	18.20
1926	1,381,752	127,102.47	9.20	444,595.79	571,698.26	41.37
1927	1,103,130	194,147.11	17.60	80,575.81	274,722.92	24.90
1928	1,648,226	193,428.92	11.74	588,071.13	781,554.05	47.42
1929	1,591,063	191,898.90	12.06	404,129.94	596,028.84	37.46
1930	2,499,674	337,044.00	13.48	979,305.64	1,316,349.64	52.66
	$11,381,717	$1,368,442.74	12.02	$3,015,800.41	$4,384,243.15	38.52

[fol. 14956] Allocation of Financial Division Expenses

With security issue costs left out of consideration, the expenses of the Financial Division chargeable to license contract activities are involved chiefly in the following:

a) The handling of temporary investments.

b) The paying of salaries and the performance of cash book and banking work for that part of General Department operations which are devoted to license contract services.

c) The making of advances to Associated Companies and the handling of their notes.

d) The handling of General Department employee stock subscriptions under the Employees' Stock Plan.

The distribution of Financial Division expenses between license contract and other activities has been based chiefly on an estimate furnished by the Comptroller's Department that 85% of the employees of the General Department were performing license contract services during the period in question. First, the estimated expenses of the Coupon and Dividend Sections and of the Bell Securities Section included in Financial Division expenses were eliminated for each year, since no part of the work of these sections was considered chargeable to license contract activities, and then 85% of the remaining annual expenses, were charged to license contract activities.

The following table shows how the expenses of the Financial Division have been distributed:

Distribution of Financial Division Expenses

Year	Total Expenses Excluding Security Issues	Expenses of Sections Eliminated	Balance to be Allocated	Expenses Charged to License Contract—85%	% of Total Expenses
1923....	$90,759	$37,635	$53,124	$45,155.40	49.75
1924....	123,066	47,110	75,956	64,562.40	52.46
1925....	139,397	56,267	83,130	70,658.50	50.69
1926....	139,451	56,200	83,251	70,763.35	50.74
1927....	147,160	43,896	103,264	87,774.40	59.65
1928....	150,587	45,457	105,130	89,360.50	59.34
1929....	156,639	45,077	111,562	94,827.70	60.54
1930....	182,907	52,846	130,061	110,551.85	60.44
	$1,129,966	$384,488	$745,478	$633,654.10	56.08

[fol. 14957] Allocation of Stock Division Expenses

With security issue costs left out of consideration, the expenses of the Stock Division chargeable to license contract activities are involved chiefly in the following:

a) The issuing of stock to employees under the Employees' Stock Plan.

b) The handling of subscriptions payable by the assignment of dividends in the Employees' Stock Bureau (1930) only).

It was decided that all of the expenses connected with the above work were chargeable to license contract activities except that proportion which could be estimated as applying to employees not working for Associated Companies or not otherwise concerned in license contract service. Accordingly, a deduction of 17.06% was made from the total estimated cost of this work based on leaving out of consideration employees of the following companies as indicated:

Western Electric Company	100%
Bell Telephone Securities Company	100%
195-205 Broadway Corporations	100%
Electrical Research Products Co	100%
Bell Telephone Laboratories	70%
American Telephone and Telegraph Company—General Department	15%

Actual figures not being available with respect to the cost of issuing stock under the Employees' Stock Plan, the expenses of this work were estimated on a base rate of 67½¢ per certificate so issued. Then 17.06% was deducted from the total estimated cost of issuing certificates under the Employees' Stock Plan each year to determine the amount to be charged to license contract activities. The statement attached, marked "Exhibit C", indicates how the 17.06% was determined, how the estimated cost per certificate was built up, and how the cost of issuing certificates under the Employees' Stock Plan was calculated.

Similarly, to determine the proportion of the Employees' Stock Bureau expenses of 1930 to be charged against license contract activities, 17.06% was deducted from the total estimated expense of $80,000, and the balance was charged to license contract services in that year. The remaining nor-

[fol. 14958] mal expenses of the Stock Division were charged to other activities.

The following table shows how the expenses of the Stock Division have been distributed:

Distribution of Stock Division Expenses

Year	Total Expenses Excluding Security Issues	Expense to be Allocated	Expenses Charged to License Contract—82.94%	% of Total Expenses
1923	$697,854	$23,314.50	$19,336.73	2.77
1924	635,205	39,179.03	32,495.18	5.12
1925	581,636	9,997.43	8,291.70	1.43
1926	604,555	15,661.35	12,989.70	2.15
1927	624,091	44,863.88	37,210.05	5.96
1928	640,571	47,618.15	39,490.20	6.16
1929	720,548	31,112.10	25,804.57	3.58
1930	972,654	155,149.78	128,678.13	13.23
	$5,477,114	$366,891.22	$304,296.26	5.56

With security issue costs left out of consideration, the expenses of the Administration Division chargeable to license contract activities are involved chiefly in the following:

a) Executive, administrative, and methods work allocated to the Financial and Stock Divisions, and in turn allocated to license contract activities.

b) Methods and development work in behalf of Associated Companies.

c) Cost of Bell System Treasurers' Conference (1927 only).

The following table shows how the expenses of the Administration Division have been distributed:

Distribution of Administration Division Expenses

Year	Total Expenses Excluding Direct Security Issues	Expenses Charged to License Contract	% of Total Expenses
1923	$110,748	$20,871.15	18.85
1924	133,308	26,147.24	19.61
1925	202,381	37,249.04	18.40
1926	232,529	43,349.42	18.64
1927	302,538	69,162.66	19.89
1928	328,539	64,632.22	19.96
1929	372,896	71,266.63	19.11
1930	439,183	97,814.02	22.27
	$2,117,422	$430,492.38	19.91

[fol. 14959] There being no clear-cut accounting lines between the various types of Administration Division work,

allocation of expenses between license contract and other activities had to be accomplished on an estimated basis. The percentages used in this allocation were determined on the basis of the eight year period as a whole and then these percentages were applied to the expenses of the Administration Division for each year.

First, the expenses were divided on an estimated basis between the various components of the Administration Division, and this was done as follows:

	Administration Expenses
Executive	25%
Methods and Results	25
General Statistical	12
Office Service	10
Mail and Files	11
Stenographic	17
	100%

This division having been made, it was necessary to allocate a portion of each one of these components according to what appeared to be chargeable to the Financial Division, to the Stock Division, to Associated Companies, to security issue work, and to purely non-license activities. The manner in which this allocation was made is indicated in the statement attached, marked "Exhibit D."

The amount of Administration Division expense allocated to each of the other divisions was then further subdivided to determine the proportion pertaining to their license contract activities. For the Financial Division, license contract was charged with the proportion that (a) the amount of Financial Division expenses charged to license contract in 1930 bore to (b) the combined total of the normal expenses of the Division for 1930, including those of the Coupon and Dividend Section and the Bell Securities Section. For the Stock Division, the distribution was made in the proportion in which the expenses of that Division were divided between "License Contract" and "Other" security issue expenses having been previously deducted. [fol. 14960] These apportionments are shown on the statement attached, marked "Exhibit E".

Allocation of Security Issue Expense for Basis 2

In determining the direct security issue and bond conversion expenses of the Department there was considered only that proportion of the Department's total expense which had been estimated from year to year to be in excess of the normal amount the Department would have expended for its current work. In other words no allowance was made for the time spent directly on security issue work by permanent employees except in so far as it was found necessary to replace these members of the Department with temporary employees; nor was allowance made for crowding security issue activities to some extent into the regular space occupied by the Department. An estimate was made, however, of the amount of time spent by the Administration Division upon the preparation of methods and plans for security issues and for actual participation of staff employees in security issue work, and this has been added to the security issue cost in Basis 2, as indicated in the following table:

Allocation of Security Issue Expenses

Year	Direct Security Issue Expense	Expenses of Adm. Div. Charged to Security Issue	Total Security Issue Expense Charged to License Contract—Basis 2
1923	$55,500.00	$18,755.17	$74,255.17
1924	366,518.00	22,575.71	389,093.71
1925	21,500.00	34,278.22	55,778.22
1926	405,217.00	39,378.79	444,595.79
1927	29,341.00	51,234.81	80,575.81
1928	533,229.00	54,842.13	588,071.13
1929	340,980.00	63,149.94	404,129.94
1930	904,930.00	74,375.64	979,305.64
	$2,657,215.00	$358,585.41	$3,015,800.41

(Signed) C. S. Van Cise, Assistant Treasurer.

CVC:LM.

DEPOSITION EXHIBIT 7 (CONTINUED)

EXHIBIT "A"

American Telephone and Telegraph Company

(Excluding Long Lines Department)

Apportionment of Departmental Expenses Between (a) Those Related to the Furnishing of License Contract Services and (b) Those Comprising Other Expenses of the Company—Years 1923 to 1930

Treasury Department

Year	Total Departmental Expense (1)	Specifically Allocated		Amount not Specifically Allocated (Apportioned on Basis of Study)					Total			
		License Contract (2)	Other (3)	Total (4)	License Contract		Other		License Contract		Other	
					Amount (5)	% of (4) (6)	Amount (7)	% of (4) (8)	Amount (9)	% of (1) (10)	Amount (11)	% of (1) (12)
1923	$954,861.40		S.I. $55,500.00	$899,361.40	A. $20,871.15 F. 45,155.40 S. 19,336.73 $85,363.28	9.49	S.I.I. $18,755.17 B. 795,242.95 813,998.12	90.51	$85,363.28	8.94	$869,498.12	91.06
1924	1,258,096.79		S.I. 366,518.00	891,578.79	A. $26,147.24 F. 64,562.40 S. 32,495.18 $123,204.82	13.82	S.I.I. $22,575.71 B. 745,798.26 $768,373.97	86.18	123,204.82	9.79	1,134,891.97	90.21
1925	944,914.08		S.I. 21,500.00	923,414.08	A. $37,249.04 F. 70,658.50 S. 8,291.70 $116,199.24	12.58	S.I.I. $34,273.22 B. 772,941.62 807,214.84	87.42	116,199.24	12.30	828,714.84	87.70
928	1,381,751.43		s.I.405,217.00	976,534.46	A. $43,349.42 F. 70,763.35 S. 12,989.70 $127,102.47	13.02	S.I.I. $39,378.79 B. 810,053.20 $849,431.99	86.98	127,102.47	9.20	1,254,648.99	90.80
1927	1,103,129.94		S.I. 29,341.00	1,073,788.94	A. $69,162.66* F. 87,774.40 S. 37,210.05 $194,147.11	18.08	S.I.I. $51,234.81 B. 828,407.02 $879,641.83	81.92	194,147.11	17.60	908,982.83	82.40
1928	1,648,225.86		S.I.533,229.00	1,114,996.86	A. $64,632.22 F. 89,360.50 S. 39,490.20 $193,482.92	17.35	S.I.I. $54,842.13 B. 866,671.81 921,513.94	82.65	193,482.92	11.74	1,454,742.94	88.26
1929	1,591,062.78		S.I.$33,177.00 B.I.307,803.00 $340,980.00	1,250,082.78	A. $71,266.63 F. 94,827.70 S. 25,804.57 $191,898.90	15.35	S.I.I. $63,149.94 B. 995,033.94 1,058,183.88	84.65	191,898.90	12.06	1,399,163.88	87.94
1930	2,499,673.64		B.C.$269,105.00 S.I. 635,825.00 $904,930.00	1,594,743.64	A. $97,814.02 F. 110,551.85 S. 128,678.13 $337,044.00	21.13	S.I.I. $74,375.64 B.1,183,324.00 $1,257,699.64	78.87	337,044.00	13.48	2,762,629.64	86.52
	$11,381,715.95		$2,657,215.00	$8,724,500.95	$1,368,442.74	15.69	$7,356,058.21	84.31	$1,368,442.74	12.02	$10,013,273.21	87.98

Notes: * Includes $8,983.60, Cost of Bell System Treasurers' Conference.

S.I. Stock Issue
B.I: Bond Issue
B.C. Bond Conversion
A. Administration Division
F. Financial Division
S. Stock Division
S.I.I. Stock Issue Indirect
B. Balance

DEPOSITION EXHIBIT 7 (CONTINUED)

EXHIBIT "B"

American Telephone and Telegraph Company

(Excluding Long Lines Department)

Apportionment of Departmental Expenses Between (a) Those Related to the Furnishing of License Contract Services and (b) Those Comprising Other Expenses of the Company—Years 1923 to 1930

Treasury Department

Year	Total Departmental Expense (1)	Specifically Allocated		Amount not Specifically Allocated (Apportioned on Basis of Study)					Total			
		License Contract (2)	Other (3)	Total (4)	License Contract		Other		License Contract		Other	
					Amount (5)	% of (4) (6)	Amount (7)	% of (4) (8)	Amount (9)	% of (1) (10)	Amount (11)	% of (1) (12)
1923	$954,861.40	S.I. $55,500.00		$889,361.40	A. $20,871.15 F. 45,155.40 S. 19,336.73 S.I.I. 18,755.17							
					$104,118.45	11.58	B. $795,242.95	88.42	$159,618.45	16.72	$795,242.95	83.28
1924	1,258,096.79	S.I. 366,518.00		891,578.79	A. $26,147.24 F. 64,562.40 S. 32,495.18 S.I.I. 22,575.71							
					$145,780.53	16.35	B. 745,798.26	83.65	512,298.53	40.72	745,798.26	59.28
1925	944,914.08	S.I. 21,500.00		923,414.08	A. $37,249.04 F. 70,658.50 S. 8,291.70 S.I.I. 34,273.22							
					$150,472.46	16.29	B. 772,941.62	83.71	171,972.46	18.20	772,941.62	81.80
1926	1,381,751.46	S.I. 405,217.00		976,534.46	A. $43,349.42 F. 70,763.35 S. 12,989.70 S.I.I. 39,378.79							
					$166,481.26	17.05	B. 810,053.20	82.95	571,698.26	41.37	810,053.20	58.63
1927	1,103,129.94	S.I. 29,341.00		1,073,788.94	A. $69,162.66* F. 87,774.40 S. 37,210.05 S.I.I. 51,234.81							
					$245,381.92	22.85	B. 823,407.02	77.15	274,722.92	24.91	828,407.02	75.09
1928	1,648,225.86	S.I. 533,229.00		1,114,996.86	A. $64,632.22 F. 89,360.50 S. 39,490.20 S.I.I. 54,842.13							
					$248,325.05	22.27	B. 866,671.81	77.73	781,554.05	47.42	866,671.81	52.58
1929	1,591,062.78	S.I. $33,177.00 B.I. 307,803.00		1,250,082.78	A. $71,266.63 F. 94,827.70 S. 25,804.57 S.I.I. 63,149.94							
		$340,980.00			$255,048.34	20.40	B. 995,033.94	79.60	596,028.84	37.46	995,033.94	62.54
		B.I. $230,105.00		1,594,743.64	A. $97,814.02							

Year	Total Departmental Expense (1)	Specifically Allocated: License Contract (2)	Specifically Allocated: Other (3)	Amount not Specifically Allocated (Apportioned on Basis of Study): Total (4)	License Contract: Amount (5)	License Contract: % of (4) (6)	Other: Amount (7)	Other: % of (4) (8)	Total: License Contract: Amount (9)	Total: License Contract: % of (1) (10)	Total: Other: Amount (11)	Total: Other: % of (1) (12)
1923	$954,861.40	S.I. $55,500.00		$889,361.40	A. $20,871.15 F. 45,155.40 S. 19,336.73 S.I.I. 18,755.17							
					$104,118.45	11.58	B. $795,242.95	88.42	$159,618.45	16.72	$795,242.95	83.28
1924	1,258,096.79	S.I. 366,518.00		891,578.79	A. $26,147.24 F. 64,562.40 S. 32,495.18 S.I.I. 22,575.71							
					$145,780.53	16.35	B. 745,798.26	83.65	512,298.53	40.72	745,798.26	59.28
1925	944,914.08	S.I. 21,500.00		923,414.08	A. $37,249.04 F. 70,658.50 S. 8,291.70 S.I.I. 34,273.22							
					$150,472.46	16.29	B. 772,941.62	83.71	171,972.46	18.20	772,941.62	81.80
1926	1,381,751.46	S.I. 495,217.00		976,534.46	A. $43,349.42 F. 70,763.35 S. 12,989.70 S.I.I. 39,378.79							
					$166,481.26	17.05	B. 810,053.20	82.95	571,698.26	41.37	810,053.20	58.63
1927	1,103,129.94	S.I. 29,341.00		1,073,788.94	A. $69,162.66* F. 87,774.40 S. 37,210.05 S.I.I. 51,234.81							
					$245,381.92	22.85	B. 823,407.02	77.15	274,722.92	24.91	828,407.02	75.09
1928	1,648,225.86	S.I. 533,229.00		1,114,996.86	A. $64,632.22 F. 89,360.50 S. 39,490.20 S.I.I. 54,842.13							
					$248,325.05	22.27	B. 866,671.81	77.73	781,554.05	47.42	866,671.81	52.58
1929	1,591,062.78	S.I. $33,177.00 B.I. 307,803.00 $340,980.00		1,250,082.78	A. $71,266.63 F. 94,827.70 S. 25,804.57 S.I.I. 63,149.94							
					$255,048.34	20.40	B. 995,033.94	79.60	596,028.84	37.46	995,033.94	62.54
1930	2,499,673.64	B.C.$269,105.00 S.I. 635,825.00 904,930.00		1,594,743.64	A. $97,814.02 F. 110,551.85 S. 128,678.13 S.I.I. 74,375.64							
					$411,419.64	25.30	B.1,183,324.00	74.20	1,316,349.64	52.66	1,183,324.00	47.34
	$11,381,715.95	$2,657,215.00		$8,724,500.95	$1,727,028.15	19.80	$6,997,472.80	80.20	$4,384,243.15	38.52	$6,997,472.80	61.48

Notes: * Includes $8,983.60, Cost of Bell System Treasurers' Conference.

S.I. Stock Issue
B.I. Bond Issue
B.C. Bond Conversion
A. Administration Division
F. Financial Division
S. Stock Division
S.I.I. Stock Issue Indirect
B. Balance

American Telephone and Telegraph Company

Treasury Department

Total Employee Stock Certificates Issued in 1930	Certificates Issued to Employees of Companies to be Eliminated							
	A. T. & T. Co. Gen'l. Dept.	195 B'way Corp.	Bell Lab.	Western Electric	Bell Sec.	Electrical Research	Total	% of Total
	15%	100%	70%	100%	100%	100%		
111,383	231	70	1,160	17,537	.....	.....	18,998	17.06

Estimated Cost of Issuing One Certificate of A. T. & T. Co. Stock Under the Employees' Stock Plan

Labor Cost of preparing register and certificate; forwarding certificate to Registrar and Stock Division overhead and supervision	$.22
Form of Certificate	.105
Other stationery, forms, and postage used throughout Bell System in connection with Employees' Stock Plan	.19
Registration	.115
Listing on New York, Boston and Philadelphia Stock Exchanges (average of 3 shares a certificate)	.045
Total Cost used as a Base Rate a certificate	$.675

Tax 5¢ a share.

Cost of Issuing Certificates Under the Employees' Stock Plan

Year	Total Certificates Issued	Estimated Total Cost of Issuing Certificates at $.675 each	Deductions, not Charged to License Contract 17.06%	Expenses Charged to License Contrac 82.94%
1923	34,540	$23,314.50	$3,977.77	$19,336.73
1924	58,043	39,179.03	6,683.85	32,495.18
1925	14,811	9,997.43	1,705.73	8,291.70
1926	23,202	15,661.35	2,671.65	12,989.70
1927	66,465	44,863.88	7,653.83	37,210.05
1928	70,538	47,613.15	8,122.95	39,490.20
1929	46,092	31,112.10	5,307.53	25,804.57
1930	111,333	75,149.78	12,823.65	62,326.13
Total	425,024	$286,891.22	$48,946.96	$237,944.26

Date issued: April 17, 1931.

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DEPOSITION EXHIBIT 7 (CONTINUED)

Statement No. 4

American Telephone and Telegraph Company

Treasury Department

Analysis of Administration Division Expense

	Cost in % of Total (1)	% Chargeable to Stock Div. (2)	% Factor (3) (1) x (2)	% Chargeable to Fin. Div. (4)	% Factor (5) (1) x (4)	% Chargeable to "Other" (6)	% Factor (7) (1) x (6)	Total of Per Cents (8)	Total of % Factors (9) (1) x (8)
Executive	25	25	6.25	50	12.50	25	6.25	100	25.00
Methods and Results	25	20	5.00	10	2.50	70	17.50	100	25.00
Office Service Staff	10	55	5.50	15	1.50	30	3.00	100	10.00
General Statistical	12	10	1.20	10	1.20	80	9.60	100	12.00
Mail and Files	11	65	7.15	15	1.65	20	2.20	100	11.00
Stenographic	17	45	7.65	10	1.70	45	7.65	100	17.00
Total of Factors	100	..	32.75	..	21.05	..	46.20*	...	100.00

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DEPOSITION EXHIBIT 7 (CONTINUED)

Analysis of "Other" Shown Above

	Security Issue			Associated Companies			Departmental Administration		
	% of "Other" (1)	Factor (2)	% of Total Admin. Div. (3) (1) x (2)	% of "Other" (4)	Factor (5)	% of Total Admin. Div. (6) (4) x (5)	% of "Other" (7)	Factor (8)	% of Total Admin. Div. (9) (7) x (8)
Executive	30	6.25	1.875	40	6.25	2.500	30	6.25	1.875
Methods and Results	50	17.50	8.750	25	17.50	4.375	25	17.50	4.375
Office Service Staff	15	3.00	.450	..	3.00	.....	85	3.00	2.550
General Statistical	20	9.60	1.920	10	9.60	.960	70	9.60	6.720
Mail and Files	40	2.20	.880	..	2.20	.....	60	2.20	1.320
Stenographic	40	7.65	3.060	..	7.65	.....	60	7.65	4.590
Total of Factors	..	46.20*	16.935		46.20*	7.835	..	46.20*	21.430

Chargeable to	% of Total Factors
Security Issue	16.935
Associated Companies	7.835
Departmental Administration	21.43
	46.20*

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DEPOSITION EXHIBIT 7 (CONTINUED)

EXHIBIT "E"

American Telephone and Telegraph Company

Treasury Department

Analysis of Administration Division Expenses

Year (1)	Total Administration Division Normal Expenses (2)	Allocated to Fin. Div. 21.05%		Allocated to Stock Div. 32.75%			Allocated to			Total to License Contract	
		Total Amount (3)	Proportion Charged to License Contract 48% (4)	Total Amount (5)	Proportion Charged to License Contract		Security Issue 16.935% (8)	License Contract 7.835% (9)	Other 21.43% (10)	Basis 1 (11) (4+6+9)	Basis 2 (12) (11+8)
					Amount (6)	% (7)					
1923	$110,748	$23,312.45	$11,189	$36,269.97	$1,005.04	2.77	$18,755.17	$8,677.11	$23,733.30	$20,971.15	$39,626.32
1924	133,308	28,061.33	13,469	43,658.37	2,233.56	5.12	22,575.71	10,444.68	28,567.91	26,147.24	48,722.95
1925	202,381	42,601.20	20,448	66,279.78	944.49	1.43	34,273.22	15,856.55	43,370.25	37,249.04	71,522.26
1926	232,529	48,947.35	23,495	76,153.25	1,635.77	2.15	39,378.79	18,218.65	49,830.96	43,349.42	82,728.21
1927	302,538	63,684.25	30,568	99,081.20	5,907.21	5.96	51,234.81	32,687.45	64,833.89	69,162.66	111,414.41
1928	323,839	68,168.11	32,721	106,057.27	6,538.43	6.17	54,842.13	25,372.79	69,398.70	64,632.22	119,474.35
1929	372,896	78,494.61	37,677	122,123.44	4,373.23	3.58	63,149.94	29,216.40	79,011.61	71,266.63	134,416.57
1930	439,183	92,448.02	44,375	143,832.43	19,029.03	13.23	74,375.64	34,409.99	94,116.92	97,814.02	172,189.66
Total	$2,117,422	$445,717.32	$213,942	$693,455.71	$41,666.76	6.01	$358,585.41	$174,883.62	$453,763.54	$430,492.38	$780,094.73

Note: *Includes $8,983.60, Cost of Bell System Treasurers' Conference.

[fol. 14967] EXTRACTS FROM DEPOSITION EXHIBIT 8

Issue of October, 1930, Bell Telephone Quarterly: Article Contained on Page 250 Thereof Written by Witness Blair-Smith. 1930 Stock Offer of The American Telephone and Telegraph Company

In a circular letter dated April 16, 1930, the American Telephone and Telegraph Company announced an offer to stockholders of record at the close of business on May 23, 1930, of additional shares of stock at par, $100, in the proportion of one new share for each six shares then held. Rights to subscribe expired on August 1, 1930. The terms of the offer were similar to those of the offer in 1928. The issue, as usual, was not underwritten.

Debenture Bonds of 1939 Largely Converted

The terms of the offer provided a period of approximately five weeks, longer than usual, between the announcement date and the record date for subscription rights. This longer period was provided so that holders of the Ten-Year Convertible 4½% Gold Debenture Bonds (offered for subscription to the stockholders in 1929) who might desire to convert their bonds into stock in time to receive subscription rights, might have ample opportunity to act. Between the announcement date and the record date more than $132,000,000 principal amount of the convertible bonds, or sixty percent of the issue, were converted into an equal amount of stock which was entitled to subscription rights.

Purpose of the Issue

The purpose of the issue, as stated by President Gifford, was to provide funds for new construction needed by the Bell System to care for additional business resulting from the constantly greater use of telephone service.

The amount of stock offered was $257,940,700 at par, being about 39 percent more than in the 1928 issue. Stockholders receiving rights numbered 508,764. The average amount offered was approximately $500 per stockholder. * * *

[fol. 14968] Table I

Comparative Statistics of the 1930 and 1928 Stock Issues
(1930 Figures Partly Estimated)

	1930 Stock Issue	1928 Stock Issue	1930 over 1928
	1930 Stock Issue	1928 Stock Issue	1930 over 1928
Par value of stock offered	$257,940,700	$185,863,000	38.8%
Stockholders on record date	508,764	432,004	17.8%
Market value of a share on closing date for subscriptions	$209⅝	$176	$33⅝

Local Contacts with Subscribers

Stockholders throughout the country were aided as before in the purchase and sale of rights by the Bell Telephone Securities Company which offered its facilities at about 3,000 of the business offices of the Associated Companies. • • •

In addition to arranging rights purchase and sale transactions, the Associated Companies again received subscriptions at their business offices for forwarding to the American Company and more than 52,000 subscriptions were thus handled.

The following table gives certain data concerning the number of rights purchase- and sale transactions and subscriptions arranged by the Associated Companies for their patrons.

[fols. 14969-14998] Deposition Exhibit 8—Continued

Table III

1930 Stock Issue Transactions Handled Locally by Associated Companies for their Patrons

Associated Companies	Purchases and Sales of Rights		Subscriptions Filed	
	Number of Transactions	In Percent of Stockholders Resident in the Territory	Number of Transactions	In Percent of Stockholders Resident in the Territory
New England Tel. & Tel. Co.	1,857	1.7%	1,718	1.5%
Southern New England Tel. Co.	771	5.1	389	2.6
New York Tel. Co.	12,616	12.9	6,743	6.9
New Jersey Bell Tel. Co.	3,352	11.4	1,660	5.6
Bell Tel. Co. of Penn.	10,745	23.4	5,164	11.2
Chesapeake and Potomac Tel. Co.	4,614	23.0	2,397	11.9
Southern Bell Tel. & Tel. Co.	3,703	20.5	1,656	9.1
Michigan Bell Tel. Co.	3,505	41.8	1,198	14.3
Indiana Bell Tel. Co.	1,084	37.3	255	8.8
Wisconsin Tel. Co.	4,108	46.0	1,693	18.9
Illinois Bell Tel. Co.	16,310	33.3	7,662	15.6
Northwestern Bell Tel. Co.	5,691	44.5	2,528	19.7
Southwestern Bell Tel. Co.	10,650	47.4	5,236	23.3
Mountain States Tel. & Tel. Co.	3,639	36.1	2,163	21.5
Pacific Tel. & Tel. Co.	16,563	41.1	12,395	30.8
Total	99,208	20.1%	52,857	10.7%

Conclusion

More stockholders participated in the issue than in any previous offering by the American Telephone and Telegraph Company; the amount of the offer was larger than any heretofore made and the percentage of rights unused was the smallest.

The employees throughout the country engaged in the work showed great interest in rendering their best service and the work was done expeditiously and efficiently. Stockholders in many sections generously commended the services rendered them. The wholehearted co-operation of all made the issue a most successful one in all of its aspects.

[fol. 14999] Extracts from Deposition Exhibit 26

Article Appearing in Bell Telephone Quarterly, Issue of January, 1925, Entitled "The Work of the Bell Telephone Securities Company", by D. F. Houston, Appearing on pp. 37-41

* * * * * * *

It has been observed within the last year that editors of investment columns in magazines and newspapers have

been given an increasing amount of space to the merits of American Company stock and have been recommending it to their readers as a safe and conservative investment. One [fols. 15000-15093] editor has said very aptly that to buy stock in the American Telephone and Telegraph Company is to share in the general growth and expansion of the entire United States. Another editor on the Pacific Coast quoted a statement from F. W. Wolf of the Pacific Telephone and Telegraph Company, in which the latter said:

"Every subscriber a shareholder" is an extraordinary slogan—it is received at first as a blatant boast; then it becomes a high ideal; and finally it appears to be a splendid possibility. The Bell System, throughout the entire country, is carrying on a work of a very great significance in the redistribution of the shares of the parent American Telephone and Telegraph Company. And California, as expected, has been quick to realize her splendid opportunity. In less than six months more than two and a quarter million dollars has been converted into certificates of the 'universal investment stock' by 2,000 persons who never before had owned a share, and the demand is steadily increasing.

"And what 'high pressure' stock-selling methods were employed? Not a cent paid in commissions; not a reward offered of any kind; just an army of telephone employees, themselves stockholders so imbued with a sense of loyalty that they wanted to bring others into the Bell family."

The work of the Bell Telephone Securities Company in bringing about a wider distribution of the stock of the American Company conduces to the financial strength and economical financing not only of that Company, but also of the whole Bell System.

[fol. 15094] Extracts from Deposition Exhibit 50

Annual Report of the American Telephone and Telegraph Company for the Year 1930

P. 1.

There was a net gain in the number of telephones installed of 122,500 which compares with 821,400 in 1929. The total number of local telephone conversations was two per

cent and the total number of toll and long-distance conversations was one per cent above 1929.

• • • • • • •

The net earnings were $267,874,000, which is $8,800,000 less than in 1929 and at the rate of 5.8 per cent on the cost of plant and other assets.

The number of stockholders of the American Telephone and Telegraph Company at the end of 1930 was 567,694, an increase of 97,983 for the year.

P. 2:

During the year 2,579,407 shares of stock of this Company were offered to stockholders of record May 23rd and 2,061,897 shares were issued in exchange for convertible bonds. This resulted in an average number of shares outstanding of 15,856,696 as compared with 13,113,746 in 1929. The earnings of the Company per average share outstanding were $10.44 compared with $12.67 in 1929.

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P. 6:

In January, 1927, the United States had telephone connection only with Canada, Cuba and the Mexican border. Today practically any telephone in the United States can be connected with any one of 32,200,000 out of 35,300,000 telephones in the world.

The only countries with more than 100,000 telephones (there are 1,780,000 in New York City) to which the Bell System is not now connected, are

[fol. 15095] Japan	940,000	telephones.
Russia	370,000	"
Brazil	170,000	"
New Zealand	165,000	"
China	155,000	"
Union of South Africa	110,000	"

• • • • • • •

P. 7:

Telephone calls across the Atlantic in the four years since such service was started have increased six-fold. In addition to the original long-wave radio telephone channel there are now three short-wave channels. The experimental

lengths of the proposed transatlantic telephone cable which have been built and tested confirm the work of the Bell Telephone Laboratories, where the new alloys and insulation necessary for such a cable were developed and where the design of the cable was made.

• • • • • • •

Present-day radio broadcast service uses interconnecting telephone networks. The circuits in these networks have to be specially designed, constructed, maintained and operated in order to give good results over the wide range of frequencies used in broadcasting. Research in the past year has made great progress in designing new cable circuits which can handle the broadcasting as well as do the specially cared-for open wire lines, and at the same time provide additional insurance against storm damage.

• • • • • • •

P. 9:

Scientific progress in television was marked by a demonstration of simultaneous two-way television and speech over wires. It was impressive in showing what it is possible to do in the present state of the art in eliminating distance in sight and sound. The equipment, however, remains necessarily complicated and expensive, requiring expert attention and large units of apparatus. The commercial possibilities of television are still uncertain.

• • • • • • •

[fol. 15096] P. 10:

Electrical Research Products, Inc., a wholly-owned subsidiary of the Western Electric Company, continues to hold its position of leadership in the manufacture of recording and reproducing apparatus for the talking motion picture industry. It has installed Western Electric reproducing systems in 5,000 theatres in the United States and in 2,600 theatres in foreign countries, and through its service organization maintains these equipments at a high standard of operating efficiency.

Financial

In January 1930 the American Telephone and Telegraph Company sold $150,000,000 Thirty-Five Year 5% Gold Debentures dated February 1, 1930.

On April 16 the Company offered its stockholders of record May 23, one share at par for each six shares of stock held. The subscriptions to this offer provided $241,895,832 for the Company's treasury during 1930, and will provide an additional amount of approximately $16,000,000 during 1931.

The conversion privilege of the Ten-Year Convertible Gold Debenture Bonds dated July 1, 1929, became effective on January 1, 1930. From January 1 to May 23, 1930, the bonds at face value could be exchanged for stock at $180 a share, and thereafter until December 31, 1930, at $166.88 per share. By the end of the year $206,189,700 of face value of bonds had been converted into stock by about 130,000 bondholders, yielding the Company cash premiucs of $164,-855,341. Only $12,923,000 face value of these bonds remained unconverted at the close of the year. During 1931 the conversion price, subject to adjustment as stated in the indenture, is $175.46 per share.

On September 30, 1930 the American Telephone and Telegraph Company bought the Teletype Corporation by exchanging 150,000 shares of its own stock for the 150,000 shares of Teletype Corporation stock. The shares of Teletype Corporation stock have been sold to the Western Electric Company.

. . . . . .

[fol. 15097] P. 11:

During the last ten years the capital obligations of the Bell System in the hands of the public have about trebled. They were $1,107,417,000 on December 31, 1920 and $3,271,-619,000 on December 31, 1930. During that period the bonds and other debt decreased from 54 to 34 per cent of total capital obligations, while the number of stockholders increased more than 300 per cent.

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P. 14:

Deposition Exhibit 50—Continued

American Telephone and Telegraph Company

Balance Sheet, December 31, 1930

Assets

Investments:		
Stocks of Associated Companies		$1,778,062,693.71
Investment, at cost, in stocks of associated telephone companies. Increase for the year $188,735,318.		
Stocks of Other Companies		168,692,888.28

Deposition Exhibit 50—Continued

Investment, at cost, in stocks of affiliated and subsidiary companies other than Associated Companies. Increase for the year $30,533,935.		
Bonds and Notes of, and Advances to, Associated Companies		320,628,939.54
Temporary financing of Associated Companies for the extension of their telephone properties, including also $755,000 investment in bonds of these companies. Increase for the year $14,845,007.		
Notes of, and Advances to, Other Companies		50,995,500.00
Loans and advances to affiliated and subsidiary companies, other than Associated Companies. Increase for the year $18,496,500.		
Plant and Equipment:		
Long Lines Plant and Equipment		435,311,016.49
Increase for the year $85,777,834.		
General Equipment		1,557,021.42
Current Assets:		
Accounts Receivable		18,820,368.60
Temporary Investments		351,803,743.03
Funds temporarily invested in municipal, state and United States Government short-term obligations and special bank deposits in anticipation of financial requirements.		
Cash		37,054,020.11
Total Assets		$3,162,926,191.28

P. 15:

Liabilities

Capital Stock:		
Stock Issued and Outstanding		$1,795,651,200.00
Total par value of shares outstanding. Increase for the year $473,311,400.		
Installments		111,463,036.18
[fol. 15098] Installments paid on stock subscribed for but not yet issued. Increase for the year $39,307,424.		
Premiums		259,131,602.75
Amount received in excess of par value of capital stock. Increase for the year $189,796,181.		
Long-Term Debt:		
Bonds and Debentures		462,615,700.00
Decrease for the year $58,830,000.		
Notes		11,545,213.59
Notes sold to Trustee of Pension Fund.		
Current Liabilities:		
Dividend Payable January 15, 1931		40,401,814.50
Accounts Payable		23,910,052.98
Interest and Taxes Accrued, Not Due		13,027,007.85
Surplus and Reserves:		
Reserve for Depreciation		58,146,649.09
Increase for the year $8,158,689.		
Reserve for Contingencies		64,664,444.18
Surplus		322,369,470.16
Increase for the year $21,322,356, comprising:		
Net Income carried to Surplus	$26,306,634	
Sundry Deductions (net) principally tax on new capital issues and discount and expense on bonds issued less premium on bonds retired	4,984,278	
Total Liabilities		$3,162,926,191.28

Deposition Exhibit 50—Continued

P. 16:

American Telephone and Telegraph Company

Statement of Earnings and Expenses for the Year Ending December 31, 1930

Earnings:	
Dividends	$148,178,885.75
Dividends on stocks owned. As a whole these dividends were earned with a margin of about $10,000,000.	
Interest	28,026,861.17
Interest on notes and advances, on bonds owned, on temporary investments and bank deposits, and on other accounts.	
Telephone Operating Revenues	114,560,865.75
Revenues from operation of the long-distance lines and payments from the Associated Companies for services furnished them under the License contracts.	
Miscellaneous Revenues	1,248,258.40
Total	$292,014,871.07
Expenses	94,034,385.13
Net Earnings	$197,980,485.94
Deduct Interest	32,435,778.78
Net Income	$165,544,707.16
Deduct Dividends	139,238,073.39
Balance for Surplus	$26,306,633.77
Average number of shares of capital stock outstanding during year	15,856,696
Net earnings per share available for dividends (after interest charges)	10.44

[fol. 15099] P. 19:

American Telephone and Telegraph Company

Net Earnings per Share Available for Dividends

	Net Earnings Per Share	Dividends Paid		Net Earnings Per Share	Dividends Paid
1911	$10.01	$8.00	1921	$11.10	$8.75
1912	9.86	8.00	1922	11.14	9.00
1913	9.59	8.00	1923	11.35	9.00
1914	9.38	8.00	1924	11.31	9.00
1915	9.52	8.00	1925	11.79	9.00
1916	9.77	8.00	1926	11.95	9.00
1917	9.48	8.00	1927	11.76*	9.00
1918	9.97	8.00	1928	12.11	9.00
1919	10.05	8.00	1929	12.67	9.00
1920	11.72	8.00	1930	10.44	9.00

P. 20:

Bell System Balance Sheet, December 31, 1930

(Inter-Company Duplications Excluded)

Assets

Telephone Plant	$4,043,421,739
Increase for the year $372,322,050.	
General Equipment, Tools and Supplies	102,727,264
Decrease for the year $8,147,124.	
Investments	283,752,088

Deposition Exhibit 50—Continued

Investments in stocks and bonds of, and advances to, subsidiary and connecting companies, and in miscellaneous property. These investments include stocks of Western Electric Company, Inc., The Bell Telephone Company of Canada, etc. Increase for the year $50,823,493.	
Accounts Receivable	151,178,536
Temporary Investments	354,774,712
Cash	64,241,422
Total assets	$5,000,196,801

NOTE.—All items of intangible assets carried in the accounts of Bell System companies are excluded from the Bell System Balance Sheet through a corresponding reduction in the Surplus.

P. 22:

Bell System Financial Statements

Bell System Income Statement for the Year Ending December 31, 1930

(Inter-Company Duplications Excluded)

Exchange Revenues		$728,709,193
Toll Revenues		348,541,203
Miscellaneous Revenues		26,689,409
Total Operating Revenues		$1,103,939,805
Current Maintenance		$191,056,987
Depreciation Expense		182,400,230
Traffic Expenses		225,291,129
[fol. 15100] Commercial Expenses		106,347,370
General and Miscellaneous Expenses		67,653,358
Total Operating Expenses		$772,749,080
Net Operating Revenues		$331,190,725
Uncollectible Revenues		$9,056,654
Taxes		86,291,070
Operating Income (Carried Forward)		$235,843,031

P. 23:

Operating Income (Brought Forward)		$235,843,031
Non-Operating Revenues—Net		47,626,208
Total Gross Income		$283,469,239
Rents and Miscellaneous Deductions		$15,594,814
Net Earnings		$267,874,425
Interest Deductions		$66,228,520
Net Income		$201,645,906
Dividends		$156,625,142
To holders of preferred stock of Associated Companies	$7,318,469	
To holders of common stock of Associated Companies	10,008,600	
American Telephone and Telegraph Co.	139,298,073	
Balance		$45,020,763

* Does not include special dividend from Western Electric Company, Inc.

Deposition Exhibit 50—Continued

P. 21:

Bell System Statistics

Security Issues Outstanding December 31, 1930 (Inter-Company Holdings Excluded)

	Par Value
Common Stock (American Telephone and Telegraph Company) (a)	$1,907,114,236
Common Stock (Associated Companies):	
New England Telephone and Telegraph Company	$47,349,300
Southern New England Telephone Company	26,662,600
Cincinnati and Suburban Bell Telephone Company	19,319,250
Mountain States Telephone and Telegraph Company	13,062,200
Pacific Telephone and Telegraph Company	29,910,100
Illinois Bell Telephone Company	1,272,900
Other Associated Companies	14,593
Total Common Stock, Associated Companies	$137,590,943
Preferred Stock (Associated Companies):	
New York Telephone Company 6½%	$25,000,000
Bell Telephone Company of Pennsylvania 6½%	20,000,000
Diamond State Telephone Company 6½%	500,000
Chesapeake and Potomac Tel. Co. of Baltimore City 7%	3,000,000
Ohio Bell Telephone Company 7% (b)	12,359,747
Wisconsin Telephone Company 7%	4,947,000
[fol. 15101] Northwestern Bell Telephone Company 6½%	4,798,000
Southwestern Bell Telephone Company 7%	21,785,500
Pacific Telephone and Telegraph Company 6%	17,957,300
Total Preferred Stock, Associated Companies	$110,347,547
Bonds and Notes (American Telephone and Telegraph Company (c):	Face Value
Collateral Trust 5s, 1932 (Western Tel. & Tel. Co.)	$9,488,500
Collateral Trust 5s, 1946	67,896,000
Debenture 5s, 1960	120,908,700
Debenture 5s, 1965	149,965,000
Debenture 5½s, 1943	96,481,200
Convertible 4s, 1936 (d)	2,589,000
Convertible 4½s, 1933 (d) (e)	1,870,800
Convertible 4½s, 1939	12,923,000
Notes (sold to Trustee of Pension Fund)	11,545,214
Total Bonds and Notes, American Tel. and Tel. Co.	$473,667,414
Bonds and Notes (Associated Companies) (c):	
New England Telephone and Telegraph Company:	
Debenture 5s, 1932 (f)	$10,000,000
First Mortgage Series A 5s, 1952	35,000,000
First Mortgage Series B 4½s, 1961	40,000,000
Southern New England Telephone Company:	
Debenture 5s, 1970	10,000,000
New York Telephone Company:	
First and General Mortgage 4½s, 1939	61,070,180
Refunding Mortgage Series A 6s, 1941	49,659,000
Debenture 6s, 1949 (f)	19,707,300
Bell Telephone Company of Pennsylvania:	
First Mtge. 5s, 1943 (Central District Telephone Co.)	9,093,500
First and Refunding Mortgage 5s, 1948	35,000,000
First and Refunding Mortgage 5s, 1960	50,000,000

Deposition Exhibit 50—Continued

Southern Bell Telephone and Telegraph Company:	
First & Gen. Mtge. 5s, 1937 (Cumberland Tel. & Tel. Co.)	14,969,000
First Mortgage 5s, 1941	47,536,500
Ohio Bell Telephone Company:	
Consolidated 5s, 1944 (Ohio State Telephone Co.)	4,947,000
Illinois Bell Telephone Company:	
First and Refunding Mortgage 5s, 1956	48,976,200
Southwestern Bell Telephone Company:	
First and Refunding Mortgage 5s, 1954	49,238,600
Pacific Telephone and Telegraph Company:	
First Mortgage and Collateral Trust 5s, 1937	27,971,000
First & Ref. Mtg. 5s, 1947 (Southern California Tel. Co.)	5,780,000
Refunding Mortgage 5s, 1952	24,044,000
Minor Bond Issues (21 in number)	22,258,230
Notes (principally notes sold to Trustee of Pension Funds)	72,146,082
Real Estate Mortgages	4,528,217
Total Bonds and Notes, Associated Companies	$841,924,809

(a) Includes installments.
(b) Called for redemption January 1, 1931.
(c) Includes issues assumed or guaranteed.
(d) Conversion privilege expired.
(e) Called for redemption March 1, 1931.
(f) Now secured by mortgage.
* Decreases in italics.

* * * * * * *

[fols. 15102-15122] P. 27:

Plant Investment

Year	Total at End of Year	Increase Over Previous Year
1915	$880,068,520	$32,863,717
1916	946,293,248	66,224,728
1917	1,064,892,710	118,599,462
1918	1,142,498,152	77,605,442
1919	1,215,944,184	73,446,032
1920	1,363,826,327	147,882,143
1921	1,543,865,545	180,039,218
1922	1,729,219,520	185,353,975
1923	1,978,947,543	249,728,023
1924	2,266,923,466	287,975,923
1925	2,524,905,590	257,982,124
1926	2,783,023,059	258,117,469
1927	3,013,985,120	230,962,061
1928	3,275,686,848	261,701,728
1929	3,671,099,689	395,412,841
1930	4,043,421,739	372,322,050

[fol. 15123] CR 51A.

EXTRACTS FROM DEPOSITION EXHIBIT 77

Associated Operating Companies

(Excludes American Tel. and Tel. Co., Long Lines Dept.)

Condensed Summary of Reports for December, 1930

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Assets and Liabilities:	(a) At End of Month
1	Intangible Capital	13,225,904
2	Physical Property	3,709,280,965
3	Investments	91,243,102
4	Cash and Deposits and Temporary Investments	30,258,411
5	Receivables, etc.	154,205,679
6	Total Assets	3,998,314,061
7	Capital Stock	1,968,141,347
8	Funded Debt	571,196,727
9	Advances from System Corporations	319,873,940
10	Bills Payable	72,458,082
11	Other Payables, etc.	150,200,852
12	Reserves for Depreciation	681,859,226
13	Surplus	234,583,887
14	Total Liabilities	3,998,314,061

[fols. 15124-15145]

	Earnings and Expenses:	12 Mos. This Year
24	Net Telephone Earnings	196,067,989
25	Sundry Net Earnings	12,221,932
26	Total Net Earnings	211,289,921
27	Deduct Interest	51,666,774
28	Balance Net Profits	159,623,147
	Deduct Dividends (Paid & Accrued):	
29	Preferred	12,246,439
30	Common	128,662,579
31	Total Dividends	140,909,018
32	Undivided Profits	18,714,129
33	Annual Div. Rate-Com. (a) 7.58% Pref. (a) 6.44% Total Plant per Station—End of Month	232.29
	Dec. 31 last	217.75

	Averages	12 Mos. This Year
34	Average Plant in Service (Excludes Gen'l Equipment)	3,407,192,400
35	Average Number of Company Stations	15,516,088
36	Average Capital Obligations	¢2,811,992,300
37	Average Capital Stock (Common)	#1,696,920,900
38	Av. Mo. Tel. Rev. per Station—Gross	5,471
	—Net	1,069

Deposition Exhibit 77—Continued

	Percentages (Annual Basis):	9 12 Mos. This Year
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	29.29%
41	Operation Expenses to Telephone Revenues	38.94%
42	Telephone Expenses to Telephone Revenues	80.46%
43	Current Maintenance to Average Plant in Service	5.16%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.	4.81%
45	Net Telephone Earnings to Average Plant in Service	5.84%
46	Bal. Net Prof. (after pref. Dividend) to Av. Com. Stock	8.68%

CR 51 A

Capital Stock	(a) At End of Month	(b) Increase Over Last Month	(c) Increase Over Dec. 31 Last	(d) Increase Over Dec. 31
Preferred	190,256,147	0	0	0
Common	1,777,885,200	30,400	237,995,150	15.5
Installments	0	**900	**20,054,100	**100.0
Total Capital Stock	1,968,141,347	29,500	217,941,050	12.5

a) Rate per annum of Dividends paid for year 1930 to Average Common and Preferred Capital Stock.

¢ Includes Capital Stock Installments.

Excludes Capital Stock Installments.

* Includes 123,199 stations of Lehigh Tel. Co. and several connecting companies of the Pacific Tel. and Tel. Co. and New England Tel. and Tel. Co. merged in April, June and July.

[fol. 15146] Extracts from Deposition Exhibit 119

Bell Telephone Securities, May 1, 1922

American Telephone and Telegraph Company Capital Stock

American Telephone stock, practically speaking, is the stock of the telephone industry of the nation. It is all of one class. The par value of each share is $100.

The total par value of American Telephone Stock outstanding on March 31, 1922, was approximately $562,000,000

For this stock the company has received over 601,000,000

Thus the excess received over par value, known as capital stock premiums, is about $39,000,000

Taking into account these capital stock premiums and the accumulated surpluses of its Associated Companies, it is now conservatively estimated that the equity represented by the stock of the American Company equals approximately $200 per share in actual money invested, without

making any allowance for possible revaluations of physical plant on the basis of present price levels.

• • • • • • •

The American Telephone and Telegraph Company is the parent company and, as has been pointed out, supplies much of the capital for the development of the Associated [fols. 15147-15160] Companies, thereby becoming a large holder of their stocks and other securities. This is reflected in the capital liability items of the two balance sheets. The American Telephone and Telegraph Company's capital stock on December 31, 1921, amounted to about $548,000,000, outstanding in the hands of the public. In addition, about $84,000,000 in stock of other Bell System companies was held by the public on that date, making a total of $632,000,000 in Bell System stock outstanding in the hands of the public. The funded interest-bearing obligations of the Associated Companies, however, are not so largely held by the American Telephone and Telegraph Company. The funded debt of the System as a whole, outstanding in the hands of the public, amounted to nearly $667,000,000 consisting of $301,000,000 American Telephone and Telegraph Company obligations and $366,000,000 of Associated Company bonds and notes.

• • • • • • •

American Telephone and Telegraph Company

Statement of Net Earnings

Years Ending December 31st

Years	Balance	Appropriated for Contingencies	Balance Added to Surplus
1900	$1,407,457	$937,258	$470,199
1901	2,348,262	1,377,651	970,611
1902	1,250,868	522,247	728,621
1903	1,945,514	728,140	1,217,374
1904	1,476,584	586,149	890,435
1905	3,167,683	1,743,295	1,424,388
1906	2,775,704	1,773,737	1,001,967
1907	5,325,744	3,500,000	1,825,744
1908	5,662,551	3,000,000	2,662,551
1909	6,059,113	3,000,000	3,059,113
1910	6,079,071	3,000,000	3,079,071
1911	5,563,815	2,800,000	2,763,815
1912	6,047,357	2,800,000	3,247,357
1913	5,466,053	2,500,000	2,966,053
1914	4,762,139	2,500,000	2,262,139
1915	5,518,047	2,500,000	3,018,047
1916	6,891,090	2,500,000	4,391,090
1917	5,989,492	2,500,000	3,489,492
1918	8,671,623	5,000,000	3,671,623
1919	9,039,457	5,000,000	4,039,457

[fol. 15161] DEPOSITION EXHIBIT 134

Extimated Benefits to the American Telephone and Telegraph Company from Consolidated Income Tax Returns During the Years 1918 to 1930, Inclusive (Based on Final Settlement Data for Years 1918 to 1923 and on Returns as Filed for Other Years)

Year	Amount
1918	$196,286.17
1919	343,926.87
1920	346,827.89
1921	617,982.52†
1922	50,984.97
1923	14,673.11
1924	58,445.02†
1925	19,330.92†
1926	.....
1927	319.78
1928	76.49†
1929	.....
1930	.....
Total	$257,183.84

Notes

(1) Companies having "deficits" failed to pay dividends to American Company.

(2) No consideration given in above figures to cost to American Company of preparing Consolidated Return and handling settlement matters with Bureau.

† Red figures.

EXTRACTS FROM DEPOSITION EXHIBIT 139

American Telephone and Telegraph Company

Published Market Prices of Principal Bell System Securities

(From this exhibit there has been taken in this extract information concerning Preferred stocks only)

Stocks	Range for 1921 High	Range for 1921 Low	Week Ending Dec. 31, 1921 Yield
Michigan State Telephone Company Preferred (6% Cum.)	*	*	....
Pacific Tel. & Tel. Co. Preferred 6%	87-½	80	6.70
Southwestern Bell Tell. Co. Preferred 7%	100	100	7.00
Radio Corporation of America Preferred (7%)	2-7/8	1-5/8	....

[fol. 15162] Deposition Exhibit 139—Continued

	Range for 1922		Week Ending Dec. 31, 1922
Chesapeake and Potomac Tel. Co. Preferred 7%	110–½	105	6.36
Michigan State Telephone Company Preferred (6% Cum.)	•	•	....
New York Telephone Company Preferred 6½%	112–¾	106	5.87
Ohio Bell Telephone Company Preferred 7%	105–½	96–¼	....
Pacific Tel. and Tel. Co. Preferred 6%	92–½	86–5/8	....
Southwestern Bell Tel. Co. Preferred 7%	100	100	....
Western Electric Company, Inc. Preferred 7%	113–¾	107	6.19
Wisconsin Telephone Company Preferred 7%	•	•	....
Radio Corporation of America Preferred (7%)	3–¼	2–7/8	....

Stocks	Range for 1923 High	Low	Week Ending Dec. 31, 1923 Yield
Chesapeake and Potomac Tel. Co. Preferred 7%	110–¾	108–¼	6.33
New York Telephone Company Preferred 6–½%	112	107–½	5.90
Pacific Tel. and Tel. Co. Preferred 6%	95	91–½	6.42
Southwestern Bell Tel. Co. Preferred 7%	106–½	101	6.76
Western Electric Company, Inc. Preferred 7%	117	111–1/8	....
Wisconsin Telephone Company Preferred 7%	•	•	....

	Range for 1924		Week Ending Dec. 31, 1924
Bell Tel. Co. of Pennsylvania Preferred 6–½%	109–½	104	6.05
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	112	109–1/8	6.30
New York Telephone Company Preferred 6–½%	112–¾	109	5.88
Ohio Bell Telephone Company Preferred 7%	108–½	102	6.51
Pacific Tel. and Tel. Co. Preferred 6%	95	88–½	6.42
Southwestern Bell Tel. Co. Preferred 7%	108–¾	103	6.56
Western Electric Company, Inc. Preferred 7%	117	111–5/8	6.06
Wisconsin Telephone Company Preferred 7%	•	•	....

Stocks	Range for 1925 High	Low	Week Ending Dec. 31, 1925 Yield
Bell Tel. Co. of Pennsylvania Preferred 6–½%	112	107–¾	....
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	114–¼	110–1/8	6.25
New York Telephone Company Preferred 6–½%	114	110–½	5.88
Ohio Bell Telephone Company Preferred 7%	110	106–¼	6.36
Pacific Tel. and Tel. Co. Preferred 6%	104	92–5/8	5.77
Southwestern Bell Tel. Co. Preferred 7%	115–½	107–½	....
Wisconsin Telephone Company Preferred 7%	•	•	....

	Range for 1926		Week Ending Dec. 31, 1926
New York Telephone Company Preferred 6–½%	116–½	110–½	5.68
Bell Tel. Co. of Pennsylvania Preferred 6–½%	113–3/8	109–½	....
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	116	110–½	6.06
Ohio Bell Telephone Company Preferred 7%	115	109	6.35
Wisconsin Telephone Company Preferred 7%	•	•	....
Northwestern Bell Tel. Co. Preferred 6–½%	•	•	....
Southwestern Bell Tel. Co. Preferred 7%	116–½	112–½	....
Pacific Tel. and Tel. Co. Preferred 6%	107–1/8	99–7/8	....

[fol. 15163] Deposition Exhibit 139—Continued

Stocks	Range for 1927 High	Low	Week Ending Dec. 31, 1927 Yield
New York Telephone Company Preferred 6-½%	115-5/8	112-¾	5.73
Bell Tel. Co. of Pennsylvania Preferred 6-½%	117-½	112-½	5.62
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	118-¼	115	5.91
Ohio Bell Telephone Company Preferred 7%	114	106-½	6.31
Wisconsin Telephone Company Preferred 7%	•	•	....
Northwestern Bell Tel. Co. Preferred 6-½%	•	•	....
Southwestern Bell Tel. Co. Preferred 7%	120	114-½	5.94
Pacific Tel. and Tel. Co. Preferred 6%	116	102	5.29

	Range for 1928 High	Low	Week Ending Dec. 31, 1928 Yield
New York Telephone Company Preferred 6½%	115-¾	111-¾	5.73
Bell Tel. Co. of Pennsylvania Preferred 6-½%	118-¼	114-¾	5.61
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	117-¾	113	6.13
Ohio Bell Telephone Company Preferred 7%	115	109-¼	6.22
Wisconsin Telephone Company Preferred 7%	•	•	....
Northwestern Bell Tel. Co. Preferred 6-½%	•	•	....
Southwestern Bell Tel. Co. Preferred 7%	121-½	117-1/8	5.91
Pacific Tel. and Tel. Co. Preferred 6%	125	113-½	....

Stocks	Range for 1929 High	Low	Week Ending Dec. 31, 1929 Yield
New York Telephone Company Preferred 6-½%	114-7/8	111	5.68
Bell Tel. Co. of Pennsylvania Preferred 6-½%	118	110	5.68
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	117-½	112	6.09
Ohio Bell Telephone Company Preferred 7%	117	109-½	6.31
Wisconsin Telephone Company Preferred 7%	•	•	....
Northwestern Bell Tel. Co. Preferred 6-½%	•	•	....
Southwestern Bell Tel. Co. Preferred 7%	121-½	113	6.02
Pacific Tel. and Tel. Co. Preferred 6%	139-1/8	114-¾	....

	Range for 1930 High	Low	Week Ending Dec. 31, 1930 Yield
New York Telephone Company Preferred 6-½%	117-½	112	5.70
Bell Tel. Co. of Pennsylvania Preferred 6-½%	118	113-½	5.65
Chesapeake & Potomac Tel. Co. of Baltimore City, Preferred 7%	119-5/8	113-5/8	6.00
Ohio Bell Telephone Company Preferred 7%	115	105-¾	....
Wisconsin Telephone Company Preferred 7%	•	•	....
Northwestern Bell Tel. Co. Preferred 6-½%	•	•	....
Southwestern Bell Tel. Co. Preferred 7%	123	116-½	5.98
Pacific Tel. and Tel. Co. Preferred 6%	144	119	....

(Here follow 2 photos Dept. Ex. 142, folios 15164 and 15164-A.)

(Here follow 2 pasters, side folios, 15164, 15164A.)

DEP. EX. 142

American Telephone and Telegraph Company

Long Lines Department

	1919 (Last 5 Mos.)	1920	1921	1922	1923	1924	1925
Message Toll Service:							
Gross Revenue	14,647,712.41	39,453,081.34	38,716,692.79	44,918,136.28	49,603,412.29	50,530,000.96	55,815,867.97
Long Lines Share	10,848,354.25	29,317,465.09	28,437,120.53	33,027,378.34	36,129,600.23	36,355,116.39	40,859,653.26
Special Contract Service Revenue:							
Telephone:							
Full Talking Service:							
Gross Revenue	.....	1,109,723.09	1,062,963.42	1,201,807.33	1,368,801.49	1,575,651.09	1,925,826.89
Long Lines Share	.....	890,091.84	918,552.04	1,025,814.91	1,155,752.37	1,306,868.55	1,626,670.13
Short Period Talking Service furnished Patrons other than the Press:							
Gross Revenue	.....	208,298.43	297,980.03	342,040.25	308,257.27	259,707.36	263,921.14
Long Lines Share	.....	168,224.44	230,169.40	242,706.07	237,640.52	198,882.33	209,647.91
Short Period Talking Service and Public News Telephone Service furnished to the Press:							
Gross Revenue	.....	110,914.73	184,765.20	193,907.09	180,861.84	179,077.22	175,476.59
Long Lines Share	.....	17,956.34	18,012.15	15,801.28	5,814.74	22,861.14	27,236.40
Program Transmission Service and Public Address System Use:						210,219.72	286,774.91
Gross Revenue	.....	.....	.....	.....	.....	205,318.60	248,164.93
Long Lines Share	.....	.....	.....	.....	.....		
Total Telephone Special Contract Service:							
Long Lines Share	454,260.12*	1,076,272.62	1,166,733.59	1,284,322.26	1,399,207.63	1,733,930.62	2,111,719.37
Telegraph:							
Telephone Typewriter Service furnished Patrons other than the Press:							
Gross Revenue	.....	72,827.20	133,447.96	143,685.15	208,651.77	281,684.51	363,301.52
Long Lines Share	.....	68,851.07	123,848.96	136,020.09	195,912.98	255,110.64	328,786.17
Telephone Typewriter Service furnished the Press:							
Gross Revenue	.....	109,745.93	252,934.69	287,234.13	313,491.06	450,223.37	680,483.89
Long Lines Share	.....	101,366.27	227,746.27	242,956.30	248,165.61	329,645.00	500,831.76
Morse Service furnished Patrons other than the Press:							
Gross Revenue	.....	8,761,462.44	8,718,604.94	9,149,898.27	9,812,775.14	9,570,550.18	10,948,592.71
Long Lines Share	.....	6,519,702.86	6,638,824.90	6,927,456.62	7,374,693.45	6,899,319.16	8,136,143.53
Morse Service furnished the Press:							
Gross Revenue	.....	734,767.42	1,344,231.02	1,699,061.47	1,923,889.07	2,086,003.43	2,171,622.54
Long Lines Share	.....	371,065.94	659,103.13	884,553.32	973,358.29	1,149,057.04	1,246,432.80
Telegrams handled for Associated Companies:							
Long Lines Share	.....	4,474.15	6,727.26	5,642.06	8,354.34	9,302.40	11,851.41
Total Telegraph Special Contract Service:							
Long Lines Share	2,527,761.49**	7,065,460.29	7,656,250.52	8,196,628.39	8,800,484.67	8,642,434.24	10,223,245.67
Telephoto Service:							16,637.90
Gross Revenue	591,812.78	.....	.....	.....	.....	.....	12,039.54
Long Lines Share	3,427,891.61	.....	.....	.....	.....	.....	

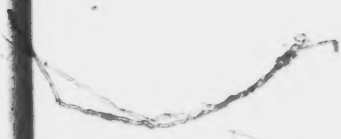
*Gross

**Gross

15164

DEPOSITION EXHIBIT 142 (CONTINUED)

	1926	1927	1928	1929	1930
Message Toll Service:					
Gross Revenue	57,333,630.83	62,028,511.62	77,409,583.99	94,420,607.83	95,019,083.96
Long Lines Share	43,206,941.27	46,678,035.11	58,769,659.18	68,703,269.73	68,601,594.29
Special Contract Service Revenue:					
Telephone:					
Full Talking Service:					
Gross Revenue	2,229,087.45	2,515,822.47	2,979,645.07	3,754,518.82	4,075,165.07
Long Lines Share	2,051,626.34	2,300,950.67	2,653,653.84	3,448,515.74	3,617,633.46
Short Period Talking Service furnished Patrons other than the Press:					
Gross Revenue	267,249.06	303,827.66	313,867.03	362,382.57	377,483.12
Long Lines Share	214,096.12	235,329.47	235,719.29	275,058.92	268,852.19
Short Period Talking Service and Public News Telephone Service furnished to the Press:					
Gross Revenue	178,745.43	147,114.74	133,927.63	113,281.19	110,157.99
Long Lines Share	36,527.59	14,281.97	19,066.43	12,805.74	1,717.89
Program Transmission Service and Public Address System Use:					
Gross Revenue	463,158.80	1,462,819.88	2,498,210.40	3,509,414.88	4,410,904.73
Long Lines Share	443,425.41	1,209,711.72	2,032,126.75	2,837,973.12	3,442,701.97
Total Telephone Special Contract Service:					
Long Lines Share	2,745,675.46	3,760,273.83	4,940,566.31	6,574,353.52	7,330,905.51
Telegraph:					
Telephone Typewriter Service furnished Patrons other than the Press:					
Gross Revenue	560,761.57	719,141.06	1,448,514.05	3,640,274.58	5,547,193.01
Long Lines Share	511,642.12	647,918.35	1,321,202.45	3,179,909.79	4,679,075.69
Telephone Typewriter Service furnished the Press:					
Gross Revenue	1,082,216.24	1,717,829.92	3,016,553.92	3,630,041.99	4,213,855.27
Long Lines Share	840,796.08	1,326,899.73	2,196,512.26	2,540,241.72	2,895,994.32
Morse Service furnished Patrons other than the Press:					
Gross Revenue	11,605,236.77	11,925,231.88	13,105,796.29	13,953,740.11	12,396,020.85
Long Lines Share	9,626,037.25	10,164,045.16	11,122,899.07	11,620,823.17	10,226,336.19
Morse Service furnished the Press:					
Gross Revenue	2,042,505.60	1,776,197.83	1,331,076.44	1,015,580.27	778,781.75
Long Lines Share	1,253,477.92	1,121,494.91	887,958.40	662,396.54	510,548.35
Telegrams handled for Associated Companies:					
Long Lines Share	29,316.42	23,780.21	27,197.12	21,885.79	21,716.03
Total Telegraph Special Contract Service:					
Long Lines Share	12,261,269.79	13,284,138.36	15,555,769.30	18,025,257.01	18,333,670.58
Telephoto Service:					
Gross Revenue	47,605.40	121,648.20	130,092.39	134,855.79	89,197.29
Long Lines Share	15,815.92	83,740.96	77,081.01	59,533.32	35,452.37



[fol. 15165] EXTRACTS FROM DEPOSITION EXHIBIT 146

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December 1919

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Earnings and Expenses:	g 12 Mos. This Year
23	Net Telephone Earnings	11,802,577
24	Sundry Net Earnings	720,495
25	Total Net Earnings	12,523,072
26	Deduct Interest	43,855
27	Balance Net Profits	12,479,217
28	Deduct Dividends (Paid and Accrued)	
29	Undivided Profits	
30	Annual Dividend Rate, —%; Total Plant per Station; At End of Month, —; at Dec. 31 last, —.	

[fol. 15166]

	Averages:	l 12 Mos. This Year
31	Average Plant in Service	72,492,369
32	Average Number of Company Stations	347
33	Average Capital Obligations	73,233,468
34	Average Capital Stock	
35	Av. Mo. Tel. Rev. per Station—Gross	
36	—Net	

	Percentages (Annual Basis):	12 Mos. This Year
37	Total Telephone Revenues to Average Plant in Service	43.29%
38	Operation Expenses to Telephone Revenues	29.84%
39	Telephone Expenses to Telephone Revenues	62.39%
40	Current Maintenance to Average Plant in Service	5.86%
41	Depreciation to Average Plant in Service (Includes 261)	5.60
42	Net Telephone Earnings to Average Plant in Service	16.28%
43	Total Net Earnings to Average Capital Obligations	
44	Balance Net Profits to Average Capital stock	

EXTRACTS FROM DEPOSITION EXHIBIT 149

Monthly Report 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December 1920

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

		$ 12 Mos. This Year
	Earnings and Expenses:	
23	Net Telephone Earnings	14,715,118
24	Sundry Net Earnings	488,782
25	Total Net Earnings	15,203,900
26	Deduct Interest	49,136
27	Balance Net Profits	15,154,764
28	Deduct Dividends (Paid and Accrued)	.....
29	Undivided Profits	.....
30	Annual Dividend Rate, —%; Total Plant per Station; At End of Month, —; at Dec. 31 last, —.	

		l 12 Mos. This Year
	Averages:	
31	Average Plant in Service	80,123,845
32	Average Number of Company Stations	328
33	Average Capital Obligations	76,090,891
34	Average Capital Stock	.....
35	Av. Mo. Tel. Rev. per Station—Gross	.....
—	—Net	.....

[fol. 15167]

		q 12 Mos. This Year
	Percentages (Annual Basis):	
37	Total Telephone Revenues to Average Plant in Service	47.60%
38	Operation Expenses to Telephone Revenues	33.07%
39	Telephone Expenses to Telephone Revenues	61.42%
40	Current Maintenance to Average Plant in Service	6.69%
41	Depreciation to Average Plant in Service (Includes 261)	4.43%
42	Net Telephone Earnings to Average Plant in Service	18.37%
43	Total Net Earnings to Average Capital Obligations	.....
44	Balance Net Profits to Average Capital Stock	.....

EXTRACTS FROM DEPOSITION EXHIBIT 152

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December 1921

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

		$ 12 Mos. This Year
	Earnings and Expenses:	
23	Net Telephone Earnings	14,159,630
24	Sundry Net Earnings	648,778
25	Total Net Earnings	14,808,408
26	Deduct Interest	18,913
27	Balance Net Profits	14,789,496
28	Deduct Dividends (Paid and Accrued)	.....
29	Undivided Profits	.....
30	Annual Dividend Rate, —%; Total Plant per Station; At End of Month, —; at Dec. 31 last, —.	

	Averages:	1 12 Mos. This Year
31	Average Plant in Service (Excludes Gen'l Equipment)	88,127,267
32	Average Number of Company Stations	326
33	Average Capital Obligations	84,660,979
34	Average Capital Stock	.....
35	Av. Mo. Tel. Rev. per Station—Gross	.....
36	—Net	.....

	Percentages (Annual Basis):	9 12 Mos. This Year
37	Total Telephone Revenues to Average Plant in Service	43.19%
38	Operation Expenses to Telephone Revenues	32.23%
39	Telephone Expenses to Telephone Revenues	62.80%
40	Current Maintenance to Average Plant in Service	5.89%
41	Depreciation to Average Plant in Service (Includes 261)	4.20
42	Net Telephone Earnings to Average Plant in Service	16.07%
43	Total Net Earnings to Average Capital Obligations	.....
44	Balance Net Profits to Average Capital Stock	.....

[fol. 15168] EXTRACTS FROM DEPOSITION EXHIBIT 155

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December 1922

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Earnings and Expenses:	8 12 Mos. This Year
23	Net Telephone Earnings	16,971,835
24	Sundry Net Earnings	395,693
25	Total Net Earnings	17,367,528
26	Deduct Interest	26,699
27	Balance Net Profits	17,340,829
28	Deduct Dividends (Paid and Accrued)	.....
29	Undivided Profits	.....

30 Annual Dividend Rate, —%; Total Plant per Station; At End of Month, —; at Dec. 31 last, —.

	Averages:	1 12 Mos. This Year
31	Average Plant in Service (Excludes Gen'l Equipment)	98,653,730
32	Average Number of Company stations	326
33	Average Capital Obligations	69,850,075
34	Average Capital Stock	.....
35	Av. Mo. Tel. Rev. per Station—Gross	.....
36	—Net	.....

		q 12 Mos. This Year
	Percentages (Annual Basis):	
37	Total Telephone Revenues to Average Plant in Service	44.05%
38	Operation Expenses to Telephone Revenues	30.33%
39	Telephone Expenses to Telephone Revenues	60.94%
40	Current Maintenance to Average Plant in Service	5.52%
41	Depreciation to Average Plant in Service (Includes 261)	4.24%
42	Net Telephone Earnings to Average Plant in Service	17.20%
43	Total Net Earnings to Average Capital Obligations	
44	Balance Net Profits to Average Capital Stock	

[fol. 15169] EXTRACTS FROM DEPOSITION EXHIBIT 158

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1923

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

		g 12 Mos. This Year
	Earnings and Expenses:	
23	Net Telephone Earnings	17,751,881
24	Sundry Net Earnings	365,795
25	Total Net Earnings	18,117,676
26	Deduct Interest	56,674
27	Balance Net Profits	18,061,002
28	Deduct Dividends (Paid and Accrued)*	
29	Undivided Profits	
30	Annual Dividend Rate —Com. —%; Pref. —%; Total Plant per Station: At End of Month, —; at Dec. 31 last, —.	

		l 12 Mos. This Year
	Averages:	
31	Average Plant in Service (Excludes Gen'l Equipment)	107,936,381
32	Average Number of Company Stations	324
33	Average Capital Obligations	96,438,691
34	Average Capital Stock (Common)	
35	Av. Mo. Tel. Rev. per Station—Gross	
36	—Net	

		q 12 Mos. This Year
	Percentages (Annual Basis):	
37	Total Telephone Revenues to Average Plant in Service	43.77%
38	Operation Expenses to Telephone Revenues	30.91%
39	Telephone Expenses to Telephone Revenues	62.42%
40	Current Maintenance to Average Plant in Service	5.85%
41	Depreciation to Average Plant in Service (Includes 261)	4.26%
42	Net Telephone Earnings to Average Plant in Service	16.45%
43	Total Net Earnings to Average Capital Obligations	
44	Bal. Net Prof. (after Pref. Dividend) to Ave. Com. Stock	

[fol. 15170] EXTRACTS FROM DEPOSITION EXHIBIT 161

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1924

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

		g 1 Mos. This Year
	Earnings and Expenses:	
24	Net Telephone Earnings	18,287,831
25	Sundry Net Earnings	256,636
26	Total Net Earnings	18,544,467
27	Deduct Interest	29,544
28	Balance Net Profits	18,514,923
29	Deduct Dividends (Paid and Accrued)*	
30	Undivided Profits	
31	Annual Div. Rate Com.—%; Pref.—%; Total Plant per Station: At End of Month, —; at Dec. 31 last, —.	

		l 12 Mos. This Year
	Averages:	
32	Average Plant in Service (Excludes Gen'l Equipment)	124,235,019
33	Average Number of Company Stations	315
34	Average Capital Obligations	112,059,370
35	Average Capital Stock (Common)	
36	Av. Mo. Tel. Rev. per Station—Gross	
37	—Net.	

		q 12 Mos. This Year
	Percentages (Annual Basis):	
38	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	39.10%
39	Operation Expenses to Telephone Revenues	29.20%
40	Telephone Expenses to Telephone Revenues	62.35%
41	Current Maintenance to Average Plant in Service	4.85%
42	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	4.40%
43	Net Telephone Earnings to Average Plant in Service	14.72%
44	Total Net Earnings to Average Capital Obligations	
45	Bal. Net Prof. (after Pref. Dividend) to Ave. Com. Stock	

[fol. 15171] EXTRACTS FROM DEPOSITION EXHIBIT 164

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1925

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

		g 12 Mos. This Year
	Earnings and Expenses:	
24	Net Telephone Earnings	22,248,554
25	Sundry Net Earnings	353,975
26	Total Net Earnings	22,602,529

27	Deduct Interest	49,738
28	Balance Net Profits	22,552,791
	Deduct Dividends (Paid & Accrued):	
29	Preferred	
30	Common	
31	Total Dividends	
32	Undivided Profits	
33	Annual Div. Rate-Com. —%; Pref. —%; Total Plant per Station: End of Month, —; Dec. 31 last, —.	

	Averages:	1 12 Mos. This Year
34	Average Plant in Service (Excludes Gen'l Equipment)	138,333,760
35	Average Number of Company Stations	305
36	Average Capital Obligations	124,515,612
37	Average Capital Stock (Common)	
38	Av. Mo. Tel. Rev. per Station—Gross	
39	—Net	

	Percentages (Annual Basis):	9 12 Mos. This Year
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	40.13%
41	Operation Expenses to Telephone Revenues	26.53%
42	Telephone Expenses to Telephone Revenues	59.92%
43	Current Maintenance to Average Plant in Service	4.66%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	4.99%
45	Net Telephone Earnings to Average Plant in Service	16.08%
46	Total Net Earnings to Average Capital Obligations	
47	Bal. Net Prof. (after Pref. Dividend) to Av. Com. Stock	

[fol. 15172] EXTRACTS FROM DEPOSITION EXHIBIT 169

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1926

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Earnings and Expenses:	8 12 Mos. This Year
24	Net Telephone Earnings	22,040,981
25	Sundry Net Earnings	562,089
26	Total Net Earnings	22,603,070
27	Deduct Interest	45,042
28	Balance Net Profits	22,558,028
	Deduct Dividends (Paid & Accrued):	
29	Preferred	
30	Common	
31	Total Dividends	
32	Undivided Profits	
33	Annual Div. Rate-Com. —%; Pref. —%; Total Plant per Station: End of Month, —; Dec. 31, last, —.	

	Averages:	l 12 Mos. This Year
34	Average Plant in Service (Excludes Gen'l Equipment)	152,567,363
35	Average Number of Company Stations	305
36	Average Total Assets	174,128,377
37	Average Capital Stock (Common)	.....
38	Av. Mo. Tel. Rev. per Station—Gross	.....
39	—Net	.....

	Percentages (Annual Basis):	q 12 Mos. This Year
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	39.94%
41	Operation Expenses to Telephone Revenues	29.05%
42	Telephone Expenses to Telephone Revenues	63.83%
43	Current Maintenance to Average Plant in Service	4.96%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	5.11%
45	Net Telephone Earnings to Average Plant in Service	14.45%
46	Total Net Earnings to Average Total Assets	12.98%
47	Bal. Net Prof. (after Pref. Dividend) to Av. Com. Stock	.....

[fol. 15173] EXTRACTS FROM DEPOSITION EXHIBIT 170

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1927

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Earnings and Expenses:	g 12 Mos. This Year
24	Net Telephone Earnings	22,567,295
25	Sundry Net Earnings	599,668
26	Total Net Earnings	23,166,963
27	Deduct Interest	43,378
28	Balance Net Profits	23,123,585
	Deduct Dividends (Paid & Accrued):	
29	Preferred	.....
30	Common	.....
31	Total Dividends	.....
32	Undivided Profits	.....
33	Annual Div. Rate-Com. —%; Pref. —%; Total Plant per Station: End of Month, —; Dec. 31, last, —.	

	Averages:	l 12 Mos. This Year
34	Average Plant in Service (Excludes Gen'l Equipment)	183,464,703
35	Average Number of Company Stations	65
36	Average Capital Obligations	.....
37	Average Capital Stock (Common)	.....
38	Av. Mo. Tel. Rev. per Station—Gross	.....
39	—Net	.....

		q 12 Mos. This Year
	Percentages (Annual Basis):	
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	36.74%
41	Operation Expenses to Telephone Revenues	31.31%
42	Telephone Expenses to Telephone Revenues	66.52%
43	Current Maintenance to Average Plant in Service	4.68%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	5.20%
45	Net Telephone Earnings to Average Plant in Service	12.30%
46	Bal. Net Prof. (after Pref. Dividend) to Av. Com. Stock	

[fol. 15174] EXTRACTS FROM DEPOSITION EXHIBIT 173

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1928

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

		g 12 Mos. This Year
	Earnings and Expenses:	
24	Net Telephone Earnings	29,126,242
25	Sundry Net Earnings	627,425
26	Total Net Earnings	29,753,767
27	Deduct Interest	41,383
28	Balance Net Profits	29,712,384
	Deduct Dividends (Paid & Accrued):	
29	Preferred	
30	Common	
31	Total Dividends	
32	Undivided Profits	
33	Annual Div. Rate-Com. —%; Pref. —%; Total Plant per Station: End of Month, —; Dec. 31, last, —.	

		l 12 Mos. This Year
	Averages:	
34	Average Plant in Service (Excludes Gen'l Equipment)	217,023,334
35	Average Number of Company Stations	85
36	Average Capital Obligations	
37	Average Capital Stock (Common)	
38	Av. Mo. Tel. Rev. per Station—Gross	
39	—Net	

		q 12 Mos. This Year
	Percentages (Annual Basis):	
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	38.23%
41	Operation Expenses to Telephone Revenues	29.60%
42	Telephone Expenses to Telephone Revenues	64.89%
43	Current Maintenance to Average Plant in Service	5.16%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	5.27%
45	Net Telephone Earnings to Average Plant in Service	13.42%
46	Bal. Net Prof. (after Pref. Dividend) to Av. Com. Stock	

[fol. 15175] EXTRACTS FROM DEPOSITION EXHIBIT 176

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1929

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Earnings and Expenses:	g 12 Mos. This Year
24	Net Telephone Earnings	32,273,298
25	Sundry Net Earnings	1,198,056
26	Total Net Earnings	33,471,354
27	Deduct Interest	518,129
28	Balance Net Profits	32,953,225
	Deduct Dividends (Paid & Accrued):	
29	Preferred	
30	Common	
31	Total Dividends	
32	Undivided Profits	
33	Annual Div. Rate-Com. —%; Pref. —%; Total Plant per Station: End of Month, —; Dec. 31, last, —.	

	Averages:	l 12 Mos. This Year
34	Average Plant in Service (Excludes Gen'l Equipment)	268,328,189
35	Average Number of Company Stations	77
36	Average Capital Obligations	
37	Average Capital Stock (Common)	
38	Av. Mo. Tel. Rev. per Station—Gross	
39	—Net	

	Percentages (Annual Basis):	q 12 Mos. This Year
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	36.23%
41	Operation Expenses to Telephone Revenues	29.76%
42	Telephone Expenses to Telephone Revenues	66.88%
43	Current Maintenance to Average Plant in Service	5.29%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	5.22%
45	Net Telephone Earnings to Average Plant in Service	12.03%
46	Bal. Net Prof. (after Pref. Dividend) to Av. Com. Stock	

[fols. 15176-15178] EXTRACTS FROM DEPOSITION EXHIBIT 179

Monthly Report No. 1

American Telephone and Telegraph Company

Long Lines Department

Condensed Summary of Reports for December, 1930

(The figures on this report are not arranged in exact accordance with the book accounts prescribed by the Interstate Commerce Commission. They should therefore not be used or quoted as official figures of the Company.)

	Earnings and Expenses:	g 12 Mos. This Year
24	Net Telephone Earnings	29,115,662
25	Sundry Net Earnings	1,812,367
26	Total Net Earnings	30,928,029

27	Deduct Interest	38,869
28	Balance Net Profits	30,966,892
	Deduct Dividends (Paid & Accrued):	
29	Preferred	
30	Common	
31	Total Dividends	
32	Undivided Profits	
33	Annual Div. Rate-Com. —%; Pref. —%; Total Plant per Station: End of Month, —; Dec. 31, last, —.	

	Averages:	1 12 Mos. This Year
34	Average Plant in Service (Excludes Gen'l Equipment)	352,601,683
35	Average Number of Company Stations	77
36	Average Capital Obligations	
37	Average Capital Stock (Common)	
38	Av. Mo. Tel. Rev. per Station—Gross	
39	—Net	

	Percentages (Annual Basis):	9 12 Mos. This Year
40	Total Tel. Rev. (Except Adv. & Dir.) to Av. Plant in Service	28.23%
41	Operation Expenses to Telephone Revenues	33.48%
42	Telephone Expenses to Telephone Revenues	70.75%
43	Current Maintenance to Average Plant in Service	4.30%
44	Depreciation to Average Plant in Service (Incl. Office Fur. & Fix.)	5.11%
45	Net Telephone Earnings to Average Plant in Service	8.26%
46	Bal. Net Prof. (after Pref. Dividend) to Av. Com. Stock	

[fol. 15179] DEPOSITION EXHIBIT 189 2/9/32.

Patents & Patent Applications Costing $1,000 or More Purchased by the Western Electric Company, Inc., 1909 to 1930

Year Purchased	Purchased from	Amount Paid
1909		
1910		
1911	Lorimer Lundquist	650,000
1912	Stromberg Carlson Telephone Mfg. Co.	175,000
1913	American Automatic Co.	75,000
1913	Clement International Engineering Corp.	65,000
1916	J. W. Lattig	1,000
1916	North Electric Co.	350,000
1916	G. Deakin	3,500
1917	Automatic Construction Co.	5,000
1917	C. L. Goodrum	1,000
1917	F. O. Richey	1,000
1917	DeForrest Tel. & Tel. Co.	250,000
1918	F. B. Cook	26,000
1918	Thomas H. Phillips Co.	30,000
1918	Olsson and Pleijel	25,000
1919	F. S. Hurd	5,000
1920	F. D. Pearne	10,000
1921	A. E. Lundell	1,000
1921	C. D. Babcock & J. Neilson	7,500
1921	J. L. Wright	1,000
1925	W. S. Webster	1,000

[fols. 15180-15273]

Year Purchased	Purchased from	Amount Paid
1925	Myron F. Hill	1,000
1928	Edwin G. Gaynor	5,000
1929	Charlotte Aldendorff	48,000
1929	Else Hecht	2,000
1929	James W. Shope	20,000
1930	Thomas H. Berkland	1,200
1930	Trowbridge & Duryea	4,700
1930	Fred H. Strom	11,000
	Total	$1,775,390

DEPOSITION EXHIBIT 190

2/9/32.

Document Testified to by Witness Folk, Entitled "Licenses Costing $1,000 or More, Paid by Western Electric to Others Than A. T. & T., 1909 1930"

Year Purchased	Purchased from	Amount Paid
1909		
1910		
1911		
1912	North Electric Co.	$375,000
1914	Kellogg Switchboard & Supply Co.	250,000
1916	E. R. Parker	27,290
1916	F. C. Brown	5,000
1916	Automatic Electric Co.	1,560,000
1916	Stromberg Carlson Telephone Mfg. Co.	75,000
1916	Sumter Telephone Supply Co.	1,000
1917	Automatic Electric Co.	190,000
1917	Herzog Tel. Systems Co.	29,000
1918	Automatic Electric Co.	200,000
1919	Automatic Electric Co.	50,000
1919	Corwin Telephone Co.	3,500
1920	General Railway Signal Co.	15,000
1920	Hall Switch and Signal Co.	55,000
1921	Hubert S. Turner	3,500
1923	Madsenell Corp.	10,000
1924	Frank E. Miller	1,000
1925	Thomson Electric Welding Co. and Thomson Spot Welder Co.	6,000
1926	Harold H. Brown	25,000
1926	Frank E. Miller Radio Corp.	10,000
1926	Cutler Hammer Mfg. Co.	15,000
1927	B. F. Goodrich	30,000
1928	Manhattan Electrical Supply Co.	1,000
1929	American Hardware Corp.	3,000
1929	Dubilier Condenser Corp.	100,000
1929	Manhattan Electrical Supply Co.	5,000
1929	Radio Patents Corp.	7,500
1929	Robert T. Romine	1,500
1930	Herbert M. Friendly	550,000
1930	General Electric Co.	5,000
1930	General Electric Co.	1,500
1930	Haseltine Corp.	10,000
1930	A. D. Pettee	1,500
1930	Radio Corp. of America	2,000
1930	Radio Corp. of America	2,500
1930	Russell Mfg. Co.	1,000
	Total	$3,627,790

(Here follow 2 photos, side folios 15274 and 15275.)

DEFENDANT'S EXHIBIT 193

[illegible] TELEGRAPH COMPANY

(Excluding Long Lines Department)

APPORTIONMENT OF DEPARTMENTAL EXPENSES BETWEEN (a) THOSE RELATED TO THE FURNISHING OF LICENSE CONTRACT SERVICES AND (b) THOSE COMPRISING OTHER EXPENSES OF THE COMPANY - YEARS 1923 TO 1930

BENEFIT AND MEDICAL DEPARTMENT

Year	Total Departmental Expense (1)	Specifically Allocated: License Contract (2)	Specifically Allocated: Other (3)	Amt. Not Specifically Allocated (Apportioned on Basis of Study): Total (4)	Licence Contract: Amount (5)	Licence Contract: % of (4) (6)	Other: Amount (7)	Other: % of (4) (8)	License Cont: Amount (9)	License Cont: %
1923	$300,907.16									
(a) General Staff	43,587.00			$ 43,587	$ 34,870	80%	$ 8,717	20		
(b) Benefit	24,424.00			24,424						
(c) Medical	60,002.00		4,200	55,802						
(d) Benefit Payments, etc.	172,894.00			172,894						
1924	245,875.70									
(a) General Staff	57,587.00			57,587	46,070	80	11,517	20		
(b) Benefit	24,726.00			24,726						
(c) Medical	30,938.00			30,938						
(d) Benefit Payments, etc.	132,625.00			132,625						
1925	285,773.71									
(a) General Staff	102,089.00			102,089	81,671	80	20,418	20		
(b) Benefit	15,040.00			15,040						
(c) Medical	37,711.00			37,711						
(d) Benefit Payments, etc.	130,934.00			130,934						
1926	330,517.34									
(a) General Staff	150,392.00			150,392	120,314	80	30,078	20		
(b) Benefit	17,329.00			17,329						
(c) Medical	34,664.00			34,664						
(d) Benefit Payments, etc.	128,132.00			128,132						
1927	582,186.90									
(a) General Staff	166,368.00			166,368	183,094	80	33,274	20		
(b) Benefit	20,579.00			20,579						
(c) Medical	38,857.00			38,857						
(d) Benefit Payments, Accruals, etc.	356,383.00			356,383						
1928	64,815.49									
(a) General Staff	180,559.00			180,559	144,447	80	36,112	20		
(b) Benefit	20,913.00			20,013						
(c) Medical	38,209.00			38,209						
(d) Benefit Payments, Accruals, etc.	325,135.00			325,135						
1929	650,873.04									
[illegible] Staff	198,536.00			198,536	158,829	80	39,707	20		

1923 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, etc.	$300,907.16 43,587.00 24,424.00 60,002.00 172,894.00		4,200	$ 43,587 24,424 55,802 172,894	$ 34,870	80%	$ 8,717	20
1924 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, etc.	245,875.70 57,587.00 24,726.00 30,938.00 132,625.00			57,587 24,726 30,938 132,625	46,070	80	11,517	20
1925 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, etc.	285,773.71 102,089.00 15,040.00 37,711.00 130,934.00			102,089 15,040 37,711 130,934	81,671	80	20,418	20
1926 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, etc.	330,517.34 150,392.00 17,329.00 34,664.00 128,132.00			150,392 17,329 34,664 128,132	120,314	80	30,078	20
1927 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, Accruals, etc.	582,186.90 166,368.00 20,579.00 38,857.00 356,383.00			166,368 20,579 38,857 356,383	183,094	80	33,274	20
1928 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, Accruals, etc.	64,815.49 180,559.00 20,913.00 38,209.00 325,135.00			180,559 20,013 38,209 325,135	144,447	80	36,112	20
1929 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, Accruals, etc.	650,873.04 198,536.00 20,405.00 37,722.00 394,210.00			198,536 20,405 37,722 394,210	158,829	80	39,707	20
1930 (a) General Staff (b) Benefit (c) Medical (d) Benefit Payments, Accruals, etc.	708,605.38 229,200.00 21,290.00 37,547.00 420,568.00			229,200 21,200 27,547 420,568	183,300	80		20

DEFENDANT'S EXHIBIT 193

[illegible] COMPANY

(Excluding Long Lines Department)

APPORTIONMENT OF DEPARTMENTAL EXPENSES BETWEEN (a) THOSE RELATED TO THE FURNISHING OF LICENSE CONTRACT SERVICES AND (b) THOSE COMPRISING OTHER EXPENSES OF THE COMPANY - YEARS 1923 TO 1930

Total Departmental Expense (1)	Specifically Allocated: License Contract (2)	Specifically Allocated: Other (3)	Amt. Not Specifically Allocated (Apportioned on Basis of Study): Total (4)	Licence Contract: Amount (5)	Licence Contract: % of (4) (6)	Other: Amount (7)	Other: % of (4) (8)	Total: License Contract: Amount (9)	Total: License Contract: % of (1) (10)	Total: Other: Amount (11)	Total: Other: % of (1) (12)
$300,907.16			$ 43,587	$ 34,870	80%	$ 8,717	20				
43,587.00			24,424								
24,424.00			55,802								
60,002.00		4,200	172,894								
172,894.00											
245,875.70			57,587	46,070	80	11,517	20				
57,587.00			24,726								
24,726.00			30,938								
30,938.00			132,625								
132,625.00											
285,773.71			102,089	81,671	80	20,418	20				
102,089.00			15,040								
15,040.00			37,711								
37,711.00			130,934								
130,934.00											
330,517.34			150,392	120,314	80	30,078	20				
150,392.00			17,329								
17,329.00			34,664								
34,664.00			128,132								
128,132.00											
582,186.90			166,368	133,094	80	33,274	20				
166,368.00			20,579								
20,579.00			38,857								
38,857.00			356,383								
356,383.00											
64,815.49			180,559	144,447	80	36,112	20				
180,559.00			20,013								
20,913.00			38,209								
38,209.00			326,135								
325,135.00											
650,823.04											

	Expense (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	$300,907.16 43,587.00 24,424.00 60,002.00 172,894.00		4,200	$ 43,587 24,424 55,802 172,894	$ 34,870	80%	$ 8,717	20				
	245,875.70 57,587.00 24,726.00 30,938.00 132,625.00			57,587 24,726 30,938 132,625	46,070	80	11,517	20				
	285,773.71 102,089.00 15,040.00 37,711.00 130,934.00			102,089 15,040 37,711 130,934	81,671	80	20,418	20				
	330,517.34 150,392.00 17,329.00 34,664.00 128,132.00			150,392 17,329 34,664 128,132	120,314	80	30,078	20				
	582,186.90 166,368.00 20,579.00 38,857.00			166,368 20,579 38,857	183,094	80	33,274	20				
, etc.	356,383.00			356,383								
	64,815.49 180,559.00 20,913.00 38,209.00			180,559 20,013 38,209	144,447	80	36,112	20				
, etc.	325,135.00			326,135								
	650,873.04 198,536.00 20,405.00 37,722.00			198,536 20,405 37,722	158,829	80	39,707	20				
, etc.	394,210.00			394,210								
	708,605.38 229,200.00 21,290.00 37,547.00			229,200 21,200 27,547	183,300	80		20				
, etc.	420,568.00			420,568								

DEPOSITION EXHIBIT 193 - Continued

AMERICAN TELEPHONE AND TELEGRAPH COMPANY
(Excluding Long Lines Department)
APPORTIONMENT OF DEPARTMENTAL EXPENSES BETWEEN (a) THOSE RELATED TO THE FURNISHING OF LICENSE CONTRACT SERVICES AND (b) THOSE COMPRISING OTHER EXPENSES OF THE COMPANY - YEARS 1923 TO 1930

PERSONNEL RELATIONS DEPARTMENT

Year	Total Departmental Expense (1)	Specifically Allocated: License Contract (2)	Specifically Allocated: Other (3)	Amt. Not Specifically Allocated (Apportioned on Basis of Study): Total (4)	License Contract: Amount (5)	License Contract: % of (4) (6)	Other: Amount (7)	Other: % of (4) (8)	Total: License Contract: Amount (9)	Total: License Contract: % of (1) (10)	Total: Other: Amount (11)	Total: Other: % of (1) (12)
1923	$301,834.34											
Administration				58,006	51,296	90	5,700	10				
Personnel				131,946	118,751	90	13,195	10				
Public Relations				30,134	30,134	100	-	-				
Special Training				12,120	5,948	90	6,487	20				
TOTAL				301,834	276,453	91	25,382	9				
1924	269,589.29											
Administration				62,197	55,977	90	6,220	10				
Personnel				133,270	119,943	90	13,327	10				
Public Relations				14,223	14,223	100	-	-				
Special Training				59,899	47,919	80	11,980	20				
TOTAL				269,589	238,062	87	31,527	13				
1925	317,749.00											
Administration				62,263	56,037	90	6,226	10				
Personnel				156,435	140,791	90	15,644	10				
Public Relations				14,719	14,719	100	-	-				
Special Training				84,332	67,466	80	16,866	20				
TOTAL				317,749	272,013	88	38,736	12				
1926	377,462.84											
Administration				62,773	56,497	90	6,276	10				
Personnel				206,590	176,931	90	30,659	10				
Public Relations				15,331	15,331	100	-	-				
Special Training				92,667	74,150	80	18,537	20				
TOTAL				377,362	331,909	88	45,472	12				
1927	356,227.63											
Administration				64,547	58,092	90	6,455	10				
Personnel				201,932	181,639	90	20,293	10				
Public Relations				15,431	15,431	100	-	-				
Special Training				74,280	59,424	80	14,856	20				
TOTAL				356,228	314,721	88	41,507	12				
1928	359,602.35											
Administration				64,047	57,607	90	6,440	10				
Personnel				204,197	181,977	89	22,220	11				
Public Relations				15,384	15,384	100	-	-				
Special Training				77,560	62,048	80	15,512	20				
TOTAL				359,602	317,470	88	42,132	12				
1929	405,433.13											
Administration				67,918	61,126	90	6,792	10				
Personnel				231,193	208,079	90	23,114	10				
Public Relations				17,263	17,263	100	-	-				
Special Training				89,109	71,287	80	17,822	20				
TOTAL				405,482	357,755	88	47,728	12				
1930	391,660.22											
Administration				62,082	55,874	90	6,208	10				
Personnel				240,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

Public Relations				30,154	30,054	100	-	-				
Special Training				7,429	25,948	30	6,487	20				
TOTAL				301,[illegible]	276,453	91	25,382	9				
1924	269,589.29											
Administration				62,197	55,977	90	6,220	10				
Personnel				133,270	119,943	90	13,327	10				
Public Relations				14,223	14,223	100	-	-				
Special Training				59,099	47,919	80	11,980	20				
TOTAL				269,289	238,062	87	31,527	13				
1925	317,749.00											
Administration				62,263	56,037	90	6,226	10				
Personnel				156,[illegible]35	140,791	90	15,6[illegible]	10				
Public Relations				14,719	14,719	100	-	-				
Special Training				[illegible],333	67,466	80	16,866	20				
TOTAL				317,749	279,013	88	38,736	12				
1926	377,[illegible]48.84											
Administration				6[illegible],77[illegible]	[illegible],97	90	6,276	10				
Personnel				206,590	176,931	90	30,659	10				
Public Relations				15,391	15,391	100	-	-				
Special Training				9[illegible],6[illegible]7	94,150	80	18,537	20				
TOTAL				377,[illegible]	331,969	88	[illegible],[illegible]7[illegible]	12				
1927	356,[illegible]27.6[illegible]											
Administration				6[illegible],[illegible]7	[illegible],[illegible]2	[illegible]	6,[illegible]	10				
Personnel				[illegible],932	1[illegible],534	[illegible]	20,[illegible]3	10				
Public Relations				15,[illegible]31	[illegible],31	1[illegible]	-	-				
Special Training				[illegible],[illegible]60	59[illegible],1[illegible]	[illegible]	[illegible],[illegible]	20				
TOTAL				[illegible],[illegible]26	[illegible],[illegible]1	[illegible]	1,[illegible]07	12				
1928	359,602.35											
Administration				[illegible],[illegible]07	[illegible],[illegible]07	[illegible]	[illegible],[illegible]	1[illegible]				
Personnel				2[illegible],[illegible]27	1[illegible],[illegible]77	[illegible]	[illegible],[illegible]39	1[illegible]				
Public Relations				1[illegible],[illegible]00	[illegible],[illegible]30	1[illegible]	-	-				
Special Training				77,560	[illegible],[illegible]48	80	1[illegible],[illegible]12	[illegible]				
TOTAL				359,602	[illegible],[illegible]70	[illegible]	[illegible],[illegible]32	1[illegible]				
1929	[illegible]05,[illegible]33.13											
Administration				[illegible]7,918	61,1[illegible]	90	6,[illegible]2	10				
Personnel				231,1[illegible]3	[illegible]03,0[illegible]9	90	[illegible]3,1[illegible]	10				
Public Relations				17,[illegible]63	17,[illegible]63	100	-	-				
Special Training				9,109	71,[illegible]37	80	17,[illegible]2	20				
TOTAL				[illegible]05,[illegible]33	[illegible]67,[illegible]70[illegible]	[illegible]3	[illegible]7,[illegible]28	12				
1930	391,668.23											
Administration				[illegible],[illegible]32	[illegible],[illegible]35	[illegible]0	[illegible],[illegible]07	1[illegible]				
Personnel				[illegible]0,[illegible]27	1[illegible]0,[illegible]05	[illegible]0	[illegible]6,[illegible]22	1[illegible]				
Public Relations				17,[illegible]33	17,[illegible]33	100	-	-				
Special Training				[illegible]1,[illegible]31	[illegible],[illegible]2[illegible]	[illegible]0	1[illegible],[illegible]07	[illegible]				
TOTAL				391,668	[illegible]5,[illegible]7[illegible]	[illegible]3	[illegible]6,596	12				
1931												
Administration				68,884	61,996	90	6,888	10				
Personnel				145,474	130,926	90	14,548	10				
Public Relations				16,462	16,462	100	-	-				
Special Training				77,112	61,690	80	15,422	20				
TOTAL				307,932	271,074	88	36,858	12				

[fol. 15276] DEPOSITION EXHIBIT 195

Statement of Number of Employees of Bell System, Being A. T. & T. and Associated Companies and Western Electric, Bell Telephone Laboratories and 195 Broadway Corporation

American Telephone and Telegraph Company

Number of Employees

	Associated Companies	Long Lines Department	General Department	(a) Western Electric Co., Inc.	Bell Tel. Laboratories Inc.	(b) 195 Broadway Corp.
December 31, 1923	259,760	10,382	1,837	63,808	....	440
December 31, 1924	268,064	9,605	1,992	49,157	....	447
December 31, 1925	281,104	9,894	2,097	39,460	3,468	443
December 31, 1926	285,749	12,631	2,248	45,110	3,640	470
December 31, 1927	293,393	13,228	2,290	41,138	3,881	476
December 31, 1928	314,307	17,651	2,377	57,493	4,444	482
December 31, 1929	338,875	22,593	2,577	87,254	5,628	496
December 31, 1930	301,891	19,775	2,677	66,274	5,864	512
December 31, 1931	276,796	15,431	2,539	(c)45,919	(c)5,472	487

(a) Includes Electrical Research Products Incorporated.
(b) Includes 205 Broadway Corporation prior to 1931.
(c) November 30, 1931.

DEPOSITION EXHIBIT 196

Statement Furnished by Mr. Folk Entitled "A. T. & T. Co., Patent Purchases ($1,000 or More) Other Than from Western Electric Company, 1909 to 1930, Inclusive"

Year	Purchased from		Amount
1909	None		.....
1910	None		.....
1911	A. C. Crehore		$5,000.00
	R. S. Donaldson		2,000.00
	Total		$7,000.00
1912	None		.....
1913	John Stone Stone		$2,500.00
	W. T. P. Hollingsworth		40,639.42
	Albert L. Register		11,000.00
	Peter Cooper Hewitt		100,000.00
	Total		$154,139.42
1914	John Abbott, Trustee		$2,500.00
	James B. Speed		2,612.60
	Total		$5,112.60
1915	Sydney Hand Browne		$5,000.00
1916	F. R. Parker	(a)	$7,000.00
	George P. Mundy		2,000.00
	John A. McCoy		2,500.00
	Herzog Telephone Systems Co.		29,000.00
	Elwood Grissinger		500,000.00
	Total		$540,500.00

Deposition Exhibit 196—Continued

[fol. 15277] 1917	A. L. Register		$2,000.00
	Oliver H. Tracy		15,000.00
	Total		$17,000.00
1918	Frits Lowenstein		$150,000.00
	Oliver H. Tracy		10,000.00
	C. D. Ehret		5,000.00
	Total		$165,000.00
1919	Atlantic Communication Co.		$100,000.00
	Albert V. T. Day	(b)	18,000.00
	Vreeland Apparatus Co.	(c)	20,000.00
	Total		$138,000.00
1920	Albert V. T. Day	(b)	$18,000.00
	C. D. Ehret		5,000.00
	Vreeland Apparatus Co.	(c)	15,000.00
	Universal Machine Company		75,000.00
	John Stone Stone		7,500.00
	Total		$120,500.00
1921	Albert V. T. Day	(b)	$18,000.00
	Bankers Trust Company of New York (Lucien Levy application)		20,000.00
	Vreeland Apparatus Company	(c)	15,000.00
	Loren S. Wells		1,000.00
	Total		$54,000.00
1922	Albert V. T. Day	(b)	$18,000.00
	J. B. Russell		50,000.00
	Major General George O. Squier		75,000.00
	Westinghouse Electric and Manufacturing Company	(d)	45,000.00
	Vreeland Apparatus Company	(c)	15,000.00
	Total		$203,000.00
1923	Albert V. T. Day	(b)	$18,000.00
	Chisholm Development Company		7,500.00
	Daniel M. Therrell		5,000.00
	Radio Corporation of America		100,000.00
	Estate of Charles D. Lanning		5,000.00
	Vreeland Apparatus Company	(c)	15,000.00
	Westinghouse Electric and Manufacturing Company	(d)	28,333.33
	Total		$178,833.33
1924	Albert V. T. Day	(d)	$18,000.00
	Hugo Lieber		15,000.00
	David G. McCaa		10,000.00
	Marius Latour		100,000.00
	Vreeland Apparatus Company	(c)	15,000.00
	Clarence A. Anderson		12,000.00
	Westinghouse Electric and Manufacturing Company	(d)	8,333.33
	Johannes H. Cunts		5,000.00
	Total		$183,333.33

Deposition Exhibit 196—Continued

[fol. 15278]	1925	Albert V. T. Day (b)	$18,000.00
		J. H. Cunts	45,000.00
		Miliran M. Dolmage	30,000.00
		Vreeland Apparatus Company (c)	15,000.00
		Westinghouse Electric and Manufacturing Company (d)	8,333.33
		Allgemeine Elektricitats—Gesellschaft	1,193.75
		Total	$117,527.08
	1926	Albert V. T. Day (b)	$18,000.00
		Francis W. Dunmore	1,000.00
		Westinghouse Electric and Manufacturing Company (d)	8,333.34
		Total	$27,333.34
	1927	Albert V. T. Day (b)	$18,000.00
		Westinghouse Electric and Manufacturing Company (d)	16,666.67
		G. W. Stewart	25,000.00
		Total	$59,666.67
	1928	Albert V. T. Day (b)	$18,000.00
		G. W. Stewart	25,000.00
		Westinghouse Electric and Manufacturing Company (d)	13,333.34
		William M. Bruce, Jr.	1,000.00
		General Electric Company (Fessenden)	100,000.00
		Haseltine Corporation	45,000.00
		Total	$202,333.34
	1929	Radio Corporation of America	$10,000.00
		Westinghouse Electric and Manufacturing Company (d)	10,833.34
		C. Lorenz Aktiengesellschaft	4,000.00
		Total	$24,833.34
	1930	H. M. Friendly (a)	$150,000.00
		Haseltine Corporation	45,000.00
		Frank G. Beetem	6,000.00
		John Poole	1,000.00
		Radio Corporation of America	25,000.00
		Total	$227,000.00

(a) This Company's proportion of total payment of $34,290 made through Western Electric Company.
(b) Installment on total payment of $180,000.00.
(c) Installment on total payment of $110,000.00.
(d) Payment under Armstrong—Pupin patents.
(e) This Company's proportion of total payment of $700,000 to H. M. Friendly made through Western Electric Company.

Note.—Payments listed above are shown gross. No allowance is made for any reimbursements from Western Electric Company is respect of certain items.

1925 Total shown does not reflect receipt of $25,000 from Westinghouse Electric and Manufacturing Company for Russell Option under Armstrong patent (Credited patent expense).*

1928 Total shown does not include payment of $27,274 to Bell Telephone Company of Pa. (System Company) for Cunningham Solder-Wiping Machine Assignment.*

*Red.

[fols. 15279-15283] DEPOSITION EXHIBIT 197

Statement Referred to by Mr. Folk, Entitled "A. T. & T. Company, Patents Purchased from and Licenses Sold to Western Electric Company, Inc., by A. T. & T. Co. and Accounting Disposition, Years 1909 to 1930"

	Patents Purchased Annually Charged To		Licenses Sold Annually Credited To		
Year	General Expense	Total	General Expense	Other Income (Acct. 316)	Total
1909	$.....	$.....	$.....	$.....	$.....
1910	.....	.....	.....	.....	.....
1911	800	800	2,002	.....	2,002
1912	.....	.....	.....	.....	.....
1913	(a)65,000	(a)65,000	.....	.....	.....
1914	(a)105,955	(a)105,955	9,585	.....	9,585
1915	475	475	.....	.....	.....
1916	.....	(b).....	.....	.....	.....
1917	(a)279,630	(a)279,630	(c)33,448	.....	(c)33,448
1918	.....	.....	.....	.....	.....
1919	32,925	32,925	5,300	.....	5,300
1920	16,675	16,675	5,150	.....	5,150
1921	12,416	12,416	13,325	.....	13,325
1922	23,510	23,510	17,440	.....	17,440
1923	1,163	1,163	.....	.....	.....
1924	(d)43,826	(d)43,826	7,675	.....	7,675
1925	48,503	48,503	4,578	5,239	9,817
1926	51,804	51,804	.....	.....	.....
1927	94,326	94,326	.....	33,489	(e)33,489
1928	73,913	73,913	.....	16,250	(e)16,250
1929	85,568	85,568	.....	11,775	(e)(f)11,775
1930	(g)71,026	(g)71,026	.....	20,000	(e)20,000
	$1,007,515	$1,007,515	$98,503	$86,753	$185,256
1931	.....	.....	55,424	.....	(e)55,434
			$153,927	$86,753	$240,680

For Notes, See Sheet 2.

(a) Includes payments for De Forest patents:

1913	$ 65,000
1914	100,000
1917	250,000

(b) Does not include $7,000 paid through Western Electric Company to F. R. Parker.

(c) Includes $29,000 received from assignment to W. E. Co. of patents purchased from F. B. Hersog in 1916.

(d) Comprises 2 payments—

February, 1924	$43,501
October, 1924	325
	$43,826

(e) W. E. Co. accounts reflect these items in prior year by a reserve set up for licenses to be purchased from American Tel. and Tel. Co. in following year.

(f) Does not include $33,333.33 received from Western Electric Company representing that Company's proportion of total payment in 1928 of $100,000 made by American Telephone and Telegraph Company to General Electric Company on account of Fessenden patents.

(g) Does not include $150,000 paid through Western Electric Company to H. M. Friendly.

[fol. 15284] EXTRACTS FROM DEPOSITION EXHIBIT 205

Bell Telephone Quarterly, October, 1928

By-products of Telephone Research

There may be either one of two motives behind scientific research. On the one hand, there is the motive of adding to human knowledge, in which case the research is customarily referred to as "pure," and as recompense for the labor and money involved comes the intellectual satisfaction of having successfully unraveled some puzzling secret of Nature. On the other hand, research may be carried on with the idea of adapting its results as quickly as possible to some practical and useful end, in which case it is customary to call it "applied"—hopefully anticipating a successful application.

Aside from the difference in attitude on the part of the sponsor of the program, pure and applied research are identical. There may, indeed, be no difference in attitude on the part of the research workers themselves. These two branches of scientific endeavor enter equally deeply into the secrets of the universe; they avail themselves of the same instrumental and other aids to investigation; and, indeed, in any given field they frequently overlap. They are, in fact, the same thing seen from different viewpoints.

P. 2:

Applied, like pure research, is ceaselessly adding to the store of human knowledge, and like pure research is likely [fol. 15285] to find practical application in diverse and unexpected ways. It usually yields its sponsor the information he sought. It frequently opens up additional possibilities of which he originally scarcely dreamed. An outstanding phenomenon in the progress of science is that advance in one field almost invariably makes advances possible in other fields. Out of development in electricity came many applications of electrical science to chemistry; these advances in chemistry reacting in turn to increase our knowledge and applications of electricity. Countless illustrations from a wide diversity of fields could be cited. The purpose of this article is to illustrate the fecundity of science by describing some striking instances from telephone research.

The program of telephone research as supported by the American Telephone and Telegraph Company for the benefit of the operating companies of the Bell System is directed steadfastly toward the goal of better, more comprehensive and less costly service for the customer. Those who are responsible for directing this program of research look far into the future. They are concerned not only with the minor problems that arise from day to day but also with broad developmental tendencies which may find expression in the nation's telephone system only after the lapse of years or even decades. Herein lies an adequate explanation of the rapid advancement of the telephone art in America during its half century of life. The number of separate lines of research if they permitted of distinct enumeration would be well up in the hundreds and the number of problems which have been proposed and solved would total tens of thousands. The information gained by these researches is today combined in certain ways for direct application to the telephone art. In the years to come and when supplemented by new discoveries, it may be combined in quite different and more effective ways for the benefit of the telephone user. Most telephonic devices are like a child's building blocks, susceptible of combination in a variety of ways and many of the combinations seem, upon superficial examination, quite different from the telephone itself.

Somewhat over a year ago, an announcement was made that a commercial type of talking motion picture had been developed in the Bell Telephone Laboratories. This led many persons to wonder why a talking motion picture [fol. 15286] should result from investigations carried on to improve telephone service. The line of descent is simple and direct. It has involved the bringing into harmonious association of devices which are of use in telephony although not in the particular ways required by the new association.

P. 3:

Out of researches directed to the improvement of the familiar telephone transmitter and receiver came, on the one hand, various high quality transmitters. One of these is now employed in the public address system and is also in well-nigh universal use for "pickup" in radio broad-

casting. On the other hand, there came the loud speaking receiver now generally known in many different forms. Out of researches underlying the telephone repeater—itself an amplifier—came a wide variety of amplifiers for speech and other uses, of capacities ranging from that of the tiny deaf set which can be carried in the pocket to that capable of projecting a speaker's words to an audience of 100,000 persons.

Such devices as improved or special forms of transmitters, receivers and speech amplifiers are, in the hands of the telephone engineer, so many building blocks and can be combined in various ways to meet various needs. One of these special combinations, perhaps as well known as any, is the public address system. Another takes the form of a perfected phonograph. These, in turn, have been merged by special adaptation to form part of the talking motion picture system.

The phonograph for talking motion pictures must employ large records capable of running for 15 minutes, a single sound record accompanying each reel of film. In the improved phonograph which has emanated from the Bell Laboratories have been incorporated studies along such diverse lines as mechanical vibrating systems, speech amplifiers and the transmission of telephonic currents through electric networks. It was necessary to perfect both the reproducing instrument and the method of cutting records.

The principles that guided the redesign of the phonograph itself, strikingly display the unity that pervades nature. The exact statement of the flow of telephone current through an electric circuit leads to certain mathematical expressions that are similar to those expressing [fol. 15287] the flow of mechanical vibrations through such a sound transmitting device as the phonograph. The phonograph needle is not perfectly rigid but bends slightly sideways when tracing the undulating line of the record. It, in turn, drives the elastic diaphragm through an appropriate coupling mechanism. The column of air contained within the horn, to the small end of which the diaphragm is attached, is likewise an elastic member. All of these moving parts have mass or inertia, elasticity or springiness and their motion involves some friction. These quantities are analogous respectively to the inductance, capacity and resistance of electric circuits.

To every electric circuit there is therefore an analogous mechanical "circuit" possessing the same sound transmitting properties. Telephonic circuits have been the object of study in our laboratories, almost since Bell's invention of the telephone, and an extensive knowledge of their characteristics has been accumulated. Thus the simple telephone line will attenuate some frequencies more than others, with the result that the received sound, although intelligible, lacks the quality of the original one. It is possible, however, to so group and adjust the resistance, capacity and inductance (an expensive undertaking when carried out on a large scale) that except for a gradual lowering of volume level, the transmission will be perfect. The conclusion seemed warranted therefore, that a mechanical system might be built which would also transmit sound perfectly—a much-to-be-desired property with which to endow the phonograph. To learn its proportions, the first step was naturally to change the meaning of certain symbols in a collection of mathematical expressions with which telephone engineers were already familiar since they expressed the electrical behavior of certain very familiar circuits. Study of the modified equations then supplied guiding principles to be followed in developing the vibrating parts of the improved phonograph. Just as the improvement of telephone lines has involved the invention of many distinct electrical appliances, so the improvement of the phonograph has necessitated the invention of many new mechanical arrangements, each of which plays an analogous part to some electrical device and whose design has been facilitated by the understanding previously gained of the latter.

[fol. 15288] P. 5:

The method until recently in vogue of recording upon wax records was also susceptible of great improvement. It employed a large funnel-like concentrator to collect enough sound energy from the air to drive the cutting tool through the record. The result was at best quite an imperfect copy of the original sound. Here was found another opportunity to apply several telephone developments, among them the high quality condenser transmitter and the speech amplifier. Using a suitable amplifier, the current from a pick-up transmitter is now enlarged to such an

extent that it operates a magnetically driven cutting tool. Records so engraved are vastly superior to the old style, and those now known in the phonograph trade as "electrically cut" are produced in this way.

Tracing the sequence of research and application, we temporarily left the story of talking motion pictures unfinished. It now requires but a moment to describe the erection and keying of its arch. Having on one hand a perfected public address system capable of filling any auditorium, and on the other a perfected phonograph and means for making high quality records, there remained but the two steps of associating the phonograph and public address systems so that the former could operate the latter, and the synchronization of the phonograph record with the motion picture film. This involves synchronization with the camera during exposure of the film, and with the projector during subsequent display. Means for accomplishing both these were provided by supplementary developments.

P. 6:

The Telephone Laboratories and telephone research have also been called upon to perfect means for recording speech photographically upon a long strip of film like motion picture film. The purpose of the sound record upon the film is the same as that of the large phonograph disc, and during reproduction is run synchronously with the pictorial film. This form of talking movie, like its predecessor, is in use in public theatres.

Here we have several illustrations of the varied applications of which scientific developments permit. Without having been originally sought after, almost as though a [fol. 15289] field when once sowed should bear several rich yields, telephone research has given such by-products as the public address system, the "Audiphone" (aids to the hard-of-hearing), the orthophonic phonograph, the talking movies, the artificial larynx. To carry the simile further, each of these special devices or systems has required development and supplementary invention at the hands of the technical staff, much as a farmer's crop, the prey of various antagonistic influences, must be cultivated and cared for at the critical stages of its growth.

The development of the repeater also brought to hand

means of magnifying sounds which are ordinarily below the level of hearing. The electric stethoscope followed and is proved of great value. The same principle is finding application in the amplifiers of radio receivers; and the Navy, quick to seize upon it, requested the development of a ship-announcing system whereby orders from one or more points are instantly announced over an entire ship.

P. 7:

One of the most picturesque by-product applications of telephone research is that which revolutionized the old and supposedly well-nigh perfected art of submarine ocean telegraphy. Searching for new magnetic materials that might have application to telephony, engineers of Bell Telephone Laboratories discovered a remarkable alloy to which they gave the name permalloy because of the extreme ease with which it can be magnetized. This material is finding important uses in the telephone plant—loading coils in particular might be mentioned—but we pass at once to its use in the submarine telegraph cable. Here it is applied as a tape wound around and continuously "loading" the copper conductor, thereby reducing attenuation of signals to such a point that a transatlantic permalloy cable handles about as much traffic as five cables of the old style.

Another illustration of what permalloy makes possible is found in the miniature receiver of the audiphone. This device, although so small that its diaphragm is scarcely half an inch in diameter, is just as efficient for the purpose as the standard telephone receiver; and instead of weighing about a pound, is so light that it rests within the ear of the user.

[fol. 15290] The developments resulting from telephone research cover a most diversified field. Some of them fall naturally in line as logical extensions of the service. Others are obviously and distinctly in the class we have designated as by-products. Separating these two, there is no hard and fast line of demarcation. Occasionally a particular development raises the natural question as to whether it is a by-product or an extension of service. Whichever way the decision goes, machinery is available for putting it to use. By-product developments of Bell Telephone Laboratories, not being made available to the public as a logical extension of telephone service, are made available through

manufacture by the Western Electric Company and the commercial distributing and business arangements of its subsidiary companies, Electrical Research Products and the Graybar Electric Company.

P. 8:

Regarding the transmission of pictures no question arises as to whether or not it should be classed as a by-product. It constitutes the transmission of a kind of intelligence which in its way is just as useful as a telephone conversation. The same may doubtless in time be said of television, although at present this is in a distinctly experimental stage. The genealogy of both shows a clear descent from telephone investigations, each system employs such telephonic principles as carrier current transmission used extensively in multiplexing our long lines, vacuum tube amplifier—an outgrowth of the repeater—and schemes for equalizing the picture circuit which have resulted from fundamental studies in telephone transmission.

The value of the research work of the Bell System when considered in relation to the System's primary activity of rendering telephone service is sufficient many times over to justify its cost. Improvements in such departments as lead cable and repeaters, as used on the longer telephone circuits, have enabled the Associated Companies to cut many millions of dollars from what an equivalent telephone plant would have cost had these improvements not been available. As seemingly minor an item as a new contact metal saves three millions a year.

Telephone research is, therefore, a business that yields the telephone-using public generous and frequent dividends in the form of bettered service. And, in the process [fol. 15291] of advancing the telephone art, more or less unpremedi-ated benefits are conferred upon other arts and industries.

P. 9:

In a complete appraisal of the value of the applied science program of the Bell System, recognition should be given to such side developments. To state their value in monetary terms would be extremely difficult. They are great, however, and are destined to increase in value as time passes,

for of all growing things the seeds of scientific research are perhaps the most fruitful. The sunlight which stimulates them comes from the broadening horizon of human needs, and the more highly developed our industrial civilization becomes the more widespread is their applicability. For fecundity the principles of science are like the teeth from the fire-breathing dragon of old, but their influence is as constructive as that of the mythical monster and its progeny were supposed to be destructive.

[fol. 15292] TOLL CASE—COX EXHIBIT 10

No. 303—Sheet 1

Study of Cost of Telephone Supplies

Cumberland Telephone and Telegraph Company, Incorporated

Louisiana and Tennessee

1921 and 1922 (7 Months)

Outline of Study

This study covers all telephone apparatus and lead covered cable purchased by the Cumberland Telephone and Telegraph Company from the Western Electric Company, Inc., for Louisiana and Tennessee from January, 1921 to July, 1922, inclusive. It amounts to $1,138,753 of which $882,945 is for telephone apparatus, and $255,808 for lead covered cable.

It shows that these purchases, if made from manufacturers competing with the Western Electric Company, Inc., would have cost the Cumberland Telephone and Telegraph Company at least $1,309,202 which is $170,449 or 14.97% more than was the actual cost from the Western Electric Company, Inc., under the Standard Supply Contract.

Telephone Apparatus:

The Kellogg Switchboard and Supply Company, Chicago, Ill., the Stromberg-Carlson Telephone Manufacturing Company, Rochester, N. Y., and the Cook Electric Company, Zion City, Ill., are the principal manufacturers of telephone apparatus competing with the Western Electric Company, Inc.

Purchases of telephone apparatus which were compared with similar apparatus manufactured by competing firms amount to $512,965 or 46% of the total purchases studied. The lowest price at which this could have been purchased from competing manufacturers is $594,089 which is $81,124 or 15.81% more than the actual cost.

Purchases on which no comparisions were made amount to $369,980 or 33% of the total purchases studied. This includes patented and special apparatus, switchboard frame works, installation charges, miscellaneous purchases and other material on which no adequate comparison could be made. It was assumed on this class of material that the competing prices would have been the same as the actual cost. This is more than fair to the competing companies for the study shows that on items on which adequate comparisons could be made, the competing price would have been 15.81% higher.

As the Western Electric Company, Inc., prices are f. o. b. its warehouse in Louisiana and Tennessee, this difference in cost would have been further increased by approximately $5,297 which is the estimated freight from Chicago, Rochester and Zion City, the f. o. b. points of the competing firms.

Under the Standard Supply Contract the Western Electric Company, Inc., includes purchasing and warehousing expenses in its prices for apparatus of its own manufacture. If this equipment had been bought from other firms the cost of these services would have been approximately 4% of the total purchases thus increasing the cost of the apparatus by $35,317.

Summarizing, we find that the cost of similar apparatus if purchased at the lowest prices of competing manufacturers would have been at least $1,004,683 which is $121,738 or 13.79% more than the actual cost of these purchases from the Western Electric Company, Inc.

Lead Covered Cable:

Lead covered cable purchases amount to $239,344 or 21% of the total purchases studied. These prices are f. o. b. the Hawthorne, Illinois factory of the Western Electric Company, Inc. The lowest prices of other manufacturers for similar material would have been $289,798 which is $50,454 or 21.08% more than the actual cost. This difference in

price would be partly offset by lower freight rates from the competing factories that are located in the East. The freight charge from Hawthorne was $1,743 more than the estimated freight from the competing firms. This reduces the difference in the cost of cable to $48,711.

Summarizing we find that the cost of cable if purchased from other manufacturers would have been at least $304,519 which is $48,711 or 19.04% more than the actual cost.

TOLL CASE COX EXHIBIT 10, PAGE 2

CUMBERLAND TELEPHONE AND TELEGRAPH COMPANY, INCORPORATED,
Louisiana and Tennessee

1921 and 1922 (7 Months)

Actual Prices Paid Western Electric Company, Incorporated,
Under Standard Supply Contract

Versus

Lowest Prices of Competing Manufacturers on Same Classes of Material:

(a)	Per Cent of Total Purchases (b)	W.E. Prices (c)	Lowest Prices of Competing Manufacturers (d)	Saving Under Supply Contract	
				Amount (e)	Per Cent (f)
Telephone Apparatus -					
Items Compared	46	$ 512,965	$ 594,089	$ 81,124	15.81
*Items Not Compared	33	369,980	369,980		
Freight			5,297	5,297	
Purchasing and Warehousing on Total Purchases			35,317	35,317	
Total		$ 882,945	$1,004,683	$121,738	13.79
Lead Covered Cable -					
Items Compared	21	$ 239,344	$ 289,798	$ 50,454	21.08
Freight		16,464	14,721	# 1,743	
Total		$ 255,808	$ 304,519	$ 48,711	19.04
Grand Total		$1,138,753	$1,309,202	$170,449	14.97

* Includes patented and special apparatus not made by other manufacturers, switchboard frameworks, miscellaneous purchases, etc. Competing prices assumed to be the same as actual cost.

\# Indicates that cost under the Standard Supply Contract is higher.

No. 303 - Sheet 2.

15293

9319

TOLL CASE COX EXHIBIT 10, PAGE 3

[redacted]

Actual Prices Paid Western Electric Company, Incorporated
for Telephone Apparatus Under Standard Supply Contract

Issued

Prices of Competing Manufacturers on Same Classes of Material

List of Items on Which Comparisons Could be Made

Description (a)	Quantity Purchased (b)	Total W. E. Cost (c)	Total Kellogg Price (d)	Total Stromberg-Carlson Price (e)	Total Cook Electric Price (f)
Batteries, Blue Bell	253,710	$71,645.08	$894,737.11	$	$
Battery Box No. 1-A	2,170	2,970.98	2,445.59		
Bells No. 10-A	4	6.08	4.12		
" " 10-B	4	6.44	2.74		
Buzzer No. 10-A	134	113.33	85.36	105.84	
" " 10-B	11	17.05		10.89	
Cable Terminal No. 12-A	130	191.49	382.26	454.33	
" " " 14-A	2,560	22,821.70			21,771.49
" " " 14-B	280	2,650.10			3,847.14
" " " 15-B	4	143.50			133.48
Calculagraph No. 6-C	73	4,148.00	4,805.00		
Coin Collector No. 13-A	258	2,681.67	2,709.00		
" " " 14-A	130	1,438.44	1,740.00		
Condenser No. 21-A	30	44.40	31.05	31.05	
" " 21-AB	4	6.48	4.12		
" " 21-BB	15	12.00	11.48	11.48	
" " 21-B	2,229	2,457.55	2,307.03	2,359.45	
" " 21-C	624	797.88	646.35	649.08	
" " 21-E	306	183.30	236.09	236.77	
" " 21-L	12	7.44	12.42	12.42	
" " 21-M	12	7.82	9.18	9.18	
" " 134	2	25.25	20.70	20.70	
Connecting Block No. 10-C	168	604.90		379.24	
" " " 10-D	10	45.50		29.62	
" " " 10-E	732	4,180.79		2,771.06	
" " " 11-A	771	84.81		805.79	
Cord No. 10	743	477.59	138.38	441.14	
" " 87	7,177	7,177.00	7,498.82	9,043.02	
" " 92	6,643	2,048.69		3,121.48	
" " 196	30	15.00	14.65	18.00	
" " 197	127	148.95	156.96		
" " 153	13	13.00	13.68	16.38	
" " 190	211	13.19	17.09	18.99	
" " 193	10	9.90		13.65	
" " 446	12,083	10,180.47	9,312.99	12,687.17	
" " 447 Plug No. 104	453	798.33	961.78	1,014.78	
" " 447 Plug " 109	9,669	17,868.79	20,527.99	21,468.54	
" " 448	11,548	7,739.89	10,093.11	11,397.13	
" " 448 Plug No. 37	1,866	6,303.81	7,488.77	8,693.84	
" " 448 " " 109	7	13.93	13.13	16.63	
" " 448 " " 110	13,686	20,198.08	24,809.39	26,196.64	
" " 448 " " 137	102	148.30	230.01	200.94	
" " 448 " " 211	4	17.45		22.34	
" " 450	14,044	13,709.80	16,804.59	19,419.30	
" " 493	1,998	1,281.84	1,348.45	1,284.00	
" " 493 Plug No. 37	681	497.18	709.58	738.87	
" " 493 " " 49	1,881	2,862.79	2,465.80	2,859.12	
" " 514	37	39.73	36.63	41.63	
" " 538	6	5.46	3.89		
" " 539	70	38.80	59.70	44.10	
" " 541	732	47.80	59.31	45.79	
" " 546	1,347	86.32	101.02	99.27	
" " 549	27,041	7,445.96	8,054.94	9,141.96	
" " 550	23,490	15,375.41	15,386.19	19,853.80	
" " 632	2,254	1,893.16	2,251.75	2,232.44	
" " 638 Plug No. 37	517	816.05	1,041.73	1,158.08	
Cord Pendant No. 9	2,078	64.45	83.12	103.90	
Cord Weight No. 119	315	91.35	110.25	110.25	
Dash Shield No. 30-AL	25,817	32,076.41	8502,280.95	103,045.50	
" " " 30-BC	703	2,221.71	2,897.78	2,535.85	
Designation Strip No. 6-F	25	4.51		18.75	
" " " 24-A	46	15.64		34.50	
" " " 73-A	13	9.73		9.75	
Drop No. 19-A	106	114.50	217.30	371.00	
" " 19-C	32	83.60	101.42	139.20	
" " 56-B	18	29.16	32.40	43.00	
Fuse No. 7-A	14,491	1,316.77			1,483.34
" " 7-E	43,707	3,537.39			3,781.73
" " 11-E	3,847	421.19			497.36
" " 11-B	3,114	1,773.60			813.10
Generator No. 23-A	79	246.70	289.96	436.50	
" " 23-B	4	18.00	13.33		
" " 48-A	44	217.14	199.11	275.90	
" " 48-B	37	216.15	190.55		
Gong No. 16	72	3.25	9.00		
Hook Board No. 3-A	298	145.42	223.50		
" " " 134	9	10.80	9.00		
Hook Coil No. 71-A	171	34.80		85.05	
" " 73-A	88,952	9,700.14		1,859.43	
Interrupter No. 24-B	31	138.40	612.00		
" " 24-C	9	158.75	288.00		
" " 24-F	6	123.00	198.00		
" " 24-G	2	63.35	64.00		
Jack No. 15	2,864	1,444.54	2,307.40	1,953.80	
" " 49	2,470	837.80	941.00	1,073.80	
" " 50	130	96.00	100.00	96.00	
" " 70	10	9.30		7.00	
" " 98	190	95.80	104.50	114.00	
" " 99	677	122.73	256.25	256.25	
" " 104	44	11.12	49.50		

Description (a)	Quantity Purchased (b)	Total W. E. Cost (c)	Total Kellogg Price (d)	Total Stromberg-Carlson Price (e)	Total Cook Electric Price (f)
Jack No. 141	710	$ 410.18	$ 498.00	$ 445.00	$
" " 149	160	52.84	120.00	120.00	
" " 153	123	115.54	131.25	131.25	
" " 163	91	69.40	91.00		
" " 190	31	77.50		31.00	
Jack Fastener No. 15	10	7.00		10.00	
" " 19	86	5.86		8.00	
Key No. A-1-A	1	7.75	8.25	6.45	
" " A-1-AB	1	8.90	5.70	7.70	
" " A-1-BB	14	126.98	84.00	98.00	
" " A-1-BT	2	19.80		14.70	
" " A-1-CA	2	14.70	13.80	13.80	
" " A-1-CB	1	6.80	6.80		
" " A-1-CC	1	6.90	5.80	5.80	
" " A-1-CJ	1	6.40	6.80	6.80	
" " A-1-CK	1	11.70	6.90	6.75	
" " A-1-CM	2	11.90	10.90	8.60	
" " A-2-A	38	447.40	304.00		
" " A-2-AB	4	45.80	30.25		
" " A-2-B	22	138.00	132.00	136.62	
" " A-2-C	13	86.25	104.00	90.50	
" " A-2-CB	15	106.80	105.00	97.80	
" " A-2-CC	74	250.33	189.46	197.00	
" " A-2-CD	18	14.40	13.50		
" " A-2-CE	14	14.80	28.00	14.00	
" " A-2-CF	122	122.36	118.75	123.00	
" " A-2-CG	35	134.00	133.75	134.00	
" " A-2-CH	13	18.00	25.50	26.62	
" " A-2-CJ	19	93.80	89.30	77.00	
" " A-2-CK	2	9.10	7.60	8.80	
" " A-2-CL	10	8.90	10.00		
" " A-2-CM	12	12.12	23.00	12.00	
" " A-2-CN	36	23.60	162.40	173.90	
" " A-2-CP	14	18.75	14.60		
" " A-2-CQ	10	17.90	18.00	10.00	
" " A-2-CR	158	1,180.80	1,135.90	997.80	
" " A-2-CS	2	12.00	17.40	13.00	
Lamp No. A-2	727	199.31	262.80		
" " A-2	800	70.00	70.00	42.50	
" " A-2	200	18.00	35.00		
" " A-2	7,788	2,218.94	2,611.15	2,383.70	
" " A-2	11,564	3,338.02	3,997.14	3,473.44	
" " A-2	160	39.20	49.00	43.60	
" " A-2	8,264	830.42	1,031.48	826.71	
" " A-2	839	834.39	886.80	750.00	
" " A-2	190	48.00	42.75	39.56	
" " A-2	4,135	1,197.50	1,382.84	1,218.73	
" " A-2	140	9.80	21.00		
Lamp Cage No. A-2	2,163	258.83	353.75	352.75	
" " A-2	280	33.88	45.00	36.00	
" " A-2	3,879	411.77	540.72	627.66	
" " A-2	600	66.00	90.00	72.00	
" " A-2	50	5.50	7.50	6.00	
" " A-2	840	92.40	126.00	102.06	
" " A-2	3,233	358.31	397.96	387.96	
" " A-2	73	8.39	11.57	9.02	
" " A-2	110	12.10	16.50	13.20	
" " A-2	145	15.95	24.75	19.58	
" " A-2	7,030	773.30	915.60	915.60	
" " A-2	35	12.35		11.60	
" " A-2	50	5.50	6.00	6.00	
Lamp Socket No. 12	1,681	546.02	519.00		
" " " 13	395	69.16	98.75	98.75	
" " " 34	11	7.70	2.75		
Lamplighter No. 3001	19,098	955.45	1,527.84		
" " 3438	18	13.70	17.10		
Plugs No. 37	364	385.60	775.75	771.80	
" " 43	2,302	2,004.70	2,762.45	3,127.30	
" " 45	24	14.40		60.00	
" " 49	892	490.60	713.60	713.20	
" " 109	24,241	21,170.42	30,388.25	30,351.25	
" " 110	14,880	13,361.60	18,592.80	18,560.50	
" " 137	488	388.77	533.00	527.30	
" " 141-B	78	61.10	85.80		
" " 147	98	92.98	113.00		
Plug Bank No. 13	685	13.53	13.10	24.65	
" " 15	133	8.38	19.38	14.46	
Protector No. 1-B	932	582.61			134.13
" " 38-A	451	354.38			397.38
" " 109-A	3,758	3,194.16			1,880.54
" " 114-A	2,469	1,997.44			1,248.14
" " 116-B	46	31.37			84.32
" " 116-A	2,960	2,180.32			3,888.48
" " 126-A	480	480.00			372.48
Protector Block No. 1	2,491	43.60			37.12
" " 2	5,779	44.93			86.71
" " 3	342	6.13			4.88
" " 19	12,431	780.05			730.13
" " 20	12,476	730.63			782.81
Protector Block No. 1	1,965	49.53			35.38

No. 303 - Sheet 3.

15294

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TOLL CASE COX EXHIBIT 10, PAGE 4

CUMBERLAND TELEPHONE AND TELEGRAPH COMPANY, INCORPORATED

1921 and 1922 (7 Months)

List of Items on Which Comparisons Could be Made (Continued)

Description (a)	Quantity Purchased (b)	Total W. E. Cost (c)	Total Kellogg Price (d)	Total Stromberg-Carlson Price (e)	Total Cook Electric Price (f)
Protector Mixes No. 3	16,441	$ 411.07	$	$	$ 443.64
" " " 10	19,509	686.02			886.64
" " " 11	6,920	459.83			324.59
Relays No. 89-B	11	22.60	27.50	26.95	
" " 114-A	33	814.30		954.65	
" " 114-B	35	78.65		106.75	
" " 114-E	24	56.40	57.60	61.20	
" " 114-H	12	15.00	27.00	27.60	
" " 114-S	10	17.75	22.50	25.50	
" " 114-AF	7	13.90	21.35	19.60	
" " 114-AT	5	7.25	15.00		
" " 118-A	83	139.30	186.75		
" " 118-E	3	6.00	9.45	8.10	
" " 118-AC	6	10.50	12.90	16.80	
" " 122-A	8	19.00		24.80	
" " 122-J	16	38.60	42.40	41.60	
" " 123-L	3	7.95	8.25	8.25	
" " 123-N	4	9.40	10.00	10.00	
" " 123-AB	6	15.90	16.50	15.60	
" " 123-AT	4	7.64	10.60	10.80	
" " 123-AU	4	10.60	10.00	13.00	
" " 123-[illegible]	4	6.60	10.00	11.00	
" " 123-[illegible]	7	19.60	17.50	19.25	
" " 125-G	3	5.25	9.00		
" " 125-AE	2	5.30	7.00	5.00	
" " 125-S	4	12.00	15.40	11.00	
" " 149-B	10	23.50		29.00	
" " 163-E	7	5.00	5.80	6.10	
" " 178-A	4	11.80	9.80	12.40	
" " A-1	491	761.21	1,275.15	1,562.95	
" " A-2	425	534.35	850.00	1,020.00	
" " A-25	4	6.20	11.00	12.80	
" " B-1	68	122.40	153.00	194.10	
" " B-10	6	10.80	12.00	13.00	
" " B-13	5	11.75	11.75	14.50	
" " B-15	122	223.00	244.00	268.40	
" " B-16	13	23.40	26.00		
" " B-31	20	41.00	50.00	49.00	
" " B-36	64	108.80	128.00	140.80	
" " B-37	19	44.65	43.18	49.40	
" " B-40	20	47.80	45.00	58.00	
" " B-[illegible]	20	49.00		65.00	
" " B-43	10	18.00	21.75	22.00	
" " B-51	5	13.50	15.50	16.00	
" " B-83	20	38.00	41.00	44.00	
" " B-202	3	5.40	5.70	6.60	
" " B-304	20	42.00	45.00	49.80	
" " B-4	60	80.00	94.80	118.80	
" " B-5	131	235.80	339.00	313.70	
" " B-6	17	34.08	44.38	45.82	
" " B-7	17	39.95	49.00	44.62	
" " B-11	20	36.00	50.00	53.00	
" " B-23	10	28.50	29.00	27.00	
" " B-33	4	7.70	10.00	10.60	
" " B-34	3	6.15	7.50	7.95	
" " B-112	10	19.00	23.50	23.00	
" " B-116	48	76.35	119.05	140.40	
" " B-119	10	21.00	29.50	27.50	
" " B-137	10	17.50	24.00	25.00	
" " B-143	5	13.00	18.00	17.75	
" " B-148	12	24.00	31.80	32.40	
" " B-163	7	9.80	15.40	14.10	
" " B-230	10	22.00	27.00	33.00	
" " B-283	10	21.00	27.50	30.50	
" " E-607	20	34.00	40.00	44.00	
Repeating Coils No. 35-A	139	1,046.44	1,391.00	1,391.00	
" " " 25-C	2	16.40	26.00		
" " " 25-E	8	80.20	102.50		
" " " 26-A	3	11.40	15.00	15.00	
" " " 27-A	15	58.50	75.00	75.00	
" " " 27-F	20	84.00	100.00	100.00	
" " " 46-A	79	155.35	1,516.50	1,388.50	

Description (a)	Quantity Purchased (b)	Total W. E. Cost (c)	Total Kellogg Price (d)	Total Stromberg-Carlson Price (e)	Total Cook Electric Price (f)
Repeating Coils No. 47-A	3	$ 14.55	$ 22.00	$ 24.00	$
" " " 55-A	6	82.80	75.00	48.00	
" " " 55-B	11	151.80	137.50	88.00	
" " " 55-C	4	55.20	50.00	32.00	
" " " 55-E	2	27.60	25.00	16.00	
" " " 76-A	30	297.00	390.00	480.00	
Resistances No. 1-A	5	2.35	3.65		
" " 1-F	60	24.00	26.00		
" " 1-K	10	4.70	6.50		
" " 1-M	6	3.60	4.20		
" " 18-B	153	74.97	99.45		
" " 18-C	70	32.90	45.50		
" " 18-D	125	34.75	81.25		
" " 18-G	115	54.05	85.85		
" " 18-J	120	62.40	78.00		
" " 18-AC	65	30.55	42.25	58.50	
" " 18-AJ	90	43.59	58.50		
" " 18-AM	23	10.81	14.95		
" " 19-A	61	28.67	79.30	91.50	
" " 19-H	24	11.28	31.20		
" " 19-T	29	13.63	37.70		
Retardation Coils No. 8-E	10	33.00	11.50	30.00	
" " 8-P	7	20.45	8.75	22.75	
" " 12-A	14	13.30	11.90	17.50	
" " 44-F	36	34.20	30.60	46.60	
" " 44-H	8	8.00	6.80	10.80	
" " 44-M	30	36.81	34.50	40.50	
" " 47-G	7	6.65	5.95	8.75	
" " 47-K	20	23.70	25.00	32.00	
" " 54-D	3	6.30	4.50		
Ringers No. 2-A	38	66.30	70.68	64.75	
" " 4-A	134	274.40	301.84	284.90	
" " 7-A	151	264.80	295.94	305.60	
" " 8-A	200	338.25	379.50	400.00	
" " 38-A	3	6.75	6.00	6.90	
" " 47-B	25	44.75	47.80	43.75	
Signals No. 32-C	9	20.25	18.00	23.40	
Signal Plugs No. 1-A	4	5.60	8.80		
" " 2-B	38,683	563.64	288.62	1,154.49	
" " 2-G	5,923	133.27	44.42	177.69	
" " 3-A	15,137	340.60	113.53	454.11	
" " 4-B	36,700	825.75	275.25	1,101.09	
Subscribers' Sets No. 43-F	32,400	729.00	243.00	972.00	
" " 127-A	104	368.85	471.90		
" " 300-E	54	219.80	268.61		
" " 315-E	20	203.56	199.40	134.95	
" " 317-F	1,422	10,941.00	13,096.15	12,492.60	
" " 317-AB	15	162.38	204.50	217.80	
" " 317-AE	648	5,751.57	8,143.75	8,635.65	
" " 317-AO	165	1,923.93	2,224.75	2,347.45	
" " 392-A	3	27.00	36.75	39.15	
" " 392-C	174	1,032.70	1,615.42	1,407.45	
" " 533-A	28	163.80	295.42	226.15	
" " 533-T	1,049	5,900.53	6,980.80	7,931.40	
" " 534-A	9	47.25	62.85	60.45	
" " 534-D	10,579	58,569.66	77,240.65	73,304.35	
" " 534-Y	6	27.46	25.55	38.80	
Switchboards No. 550-B	157	634.65	902.25	849.75	
Switchboard Cable No. 1016	3	2,014.20	1,859.50	2,298.60	
" " 1024	150'	60.00	39.15		
" " 1084	2,550'	813.75	624.75		
" " 6016	300'	157.50	78.30		
" " 6024	2,948'	1,191.78	1,035.00	1,431.34	
" " 6050	7,912'	1,906.22	1,715.86	2,302.09	
" " 6070	348'	72.23	62.23	72.33	
" " 6074	1,870'	860.27	745.65	1,152.34	
" " 6079	188'	25.85	15.23	20.04	
" " 6084	3,545'	497.34	355.70	400.99	
" " 6116	700'	278.26	210.00	300.76	
" " 6125	1,349'	449.96		415.41	
Transmitter Attachments No. 3-A	382'	77.42		77.07	
	1,073	126.76	130.42	253.00	

	Total W. E. Cost	Total Kellogg Price	Total Stromberg-Carlson Price	Total Cook Electric Price	Total Lowest Competing Price
Kellogg Total Price and Comparable W. E. Cost	$454,551.54	$534,989.50			
Per Cent of W. E. Cost	100%	116.64%			
Stromberg-Carlson Total Price and Comparable W. E. Cost	$383,982.65		$465,774.60		
Per Cent of W. E. Cost	100%		134.54%		
Cook Electric Total Price and Comparable W. E. Cost	$ 50,612.17			$61,861.98	
Per Cent of W. E. Cost	100%			122.23%	
W. E. Total Cost and Lowest Competing Price	$512,965.07				$594,089.05
Per Cent of W. E. Total Cost	100%				115.81%

* Lowest price of competing manufacturers.

No. 303 - Sheet 4

15295

9826

CUMBERLAND TELEPHONE AND TELEGRAPH COMPANY, INCORPORATED.
Louisiana and Tennessee

1921 and 1922 (7 Months)

Actual Prices Paid Western Electric Company, Incorporated, for Paper Insulated Lead Covered Cable Under Standard Supply Contract

Versus

Prices of Competing Manufacturers on Same Classes of Material.

Description (a)	Number of Feet Purchased (b)	Total W. E. Price (c)	Total Lowest Competing Manufacturers Price (d)
NA-26	64,340	$ 5,546.38	$ 6,715.56
NA-51	80,854	11,761.50	14,240.82
NA-101	32,892	8,756.49	10,602.36
NA-150	3,650	1,409.41	1,706.51
NA-200	21,669	10,287.53	12,456.14
NA-300	1,835	1,313.28	1,590.12
NA-404	3,200	2,360.19	2,857.72
NA-600	300	386.50	467.97
ANA-25	16,610	1,363.33	1,650.72
ANA-50	9,300	1,161.87	1,406.79
NM-26	56,561	4,426.92	5,360.11
NM-51	113,000	13,221.19	16,008.22
NM-101	50,351	9,346.09	11,316.25
NM-152	4,181	1,144.44	1,385.69
NM-202	36,586	13,629.76	16,502.91
NM-303	7,481	3,443.91	4,169.89
NM-400	15,985	9,113.49	11,034.61
NM-606	14,886	12,416.82	15,034.29
NM-909	220	258.10	312.51
M-1212	37,556	54,713.13	66,246.66
SA-400	2,136	1,676.66	2,030.10
SA-600	20,334	21,138.91	25,594.99
SA-900	11,271	15,349.19	18,584.80
SM-909	12,555	13,878.50	16,804.09
ASA-400	700	469.70	568.71
TA-15	3,350	307.47	372.28
TA-25	5,875	546.72	661.97
TA-50	2,100	363.02	439.54
TA-100	3,500	1,001.11	1,212.14
TA-200	10,650	8,991.82	10,887.30
TB-50	10,700	2,526.12	3,058.63
TB-200	7,100	5,257.95	6,366.33
TB-303	750	880.66	1,066.30
ANB-19	1,000	425.08	514.69
30 pr. 16 ga, 253 pr. 19 ga, spec.3714.	418	471.67	571.10
Total Price		$239,344.91	$289,798.82
Per cent of W. E. Total Price		100%	121.08%

No. 303 - Sheet 5.

15296

9326

TOLL CASE COX EXHIBIT 11

NEW YORK TELEPHONE COMPANY

1921

Actual Prices Paid Western Electric Company, Incorporated Under Standard Supply Contract.

Versus

Lowest Prices of Competing Manufacturers on Same Classes of Material.

(a)	Per Cent of Total Purchases (b)	W. E. Prices (c)	Lowest Prices of Competing Manufacturers (d)	Saving Under Supply Contract Amount (e)	Saving Under Supply Contract Per Cent (f)
Telephone Apparatus -					
Items Compared	30	$ 4,094,611	$ 5,023,697	$ 929,086	22.69
*Items Not Compared	52	7,246,457	7,246,457		
Freight			76,077	76,077	
Purchasing and Warehousing on Total Purchases			453,643	453,643	
Total		$11,341,068	$12,799,874	$1,458,806	12.86
Lead Covered Cable	18	$ 2,533,957	$ 3,142,612	$ 608,655	24.02
Freight		94,636	27,738	ƒ 66,898	
Total		$ 2,628,593	$ 3,170,350	$ 541,757	20.61
Grand Total		$13,969,661	$15,970,224	$2,000,563	14.32

* Classification of non-comparable items -

Engineering and Drafting		$ 30,815
Installation		731,171
Frames and Racks		5,650
Factory Cabling		11,485
Miscellaneous Equipment		396,948
Restricted Apparatus		420,409
P.B.X. Switchboards less Apparatus		65,357
Material Insufficiently Described		245,950
Piece Parts		39,779
Miscellaneous Apparatus		61,371
No Similar Items Manufactured by Competing Firms -		
Connecting Blocks	$ 134,092	
Keys	172,014	
Lead Covered Interior Cable	161,868	
Message Registers	362,484	
Mounting Plates	167,398	
P.B.X. Switchboards	313,714	
Protector Blocks	127,298	
Relays	295,856	
Sub Sets	304,932	
Switchboard Cable	2,167,881	
Wire	272,147	
Other	757,838	
Total		5,237,522
		$7,246,457

ƒ Indicates that cost under Standard Supply Contract is higher.

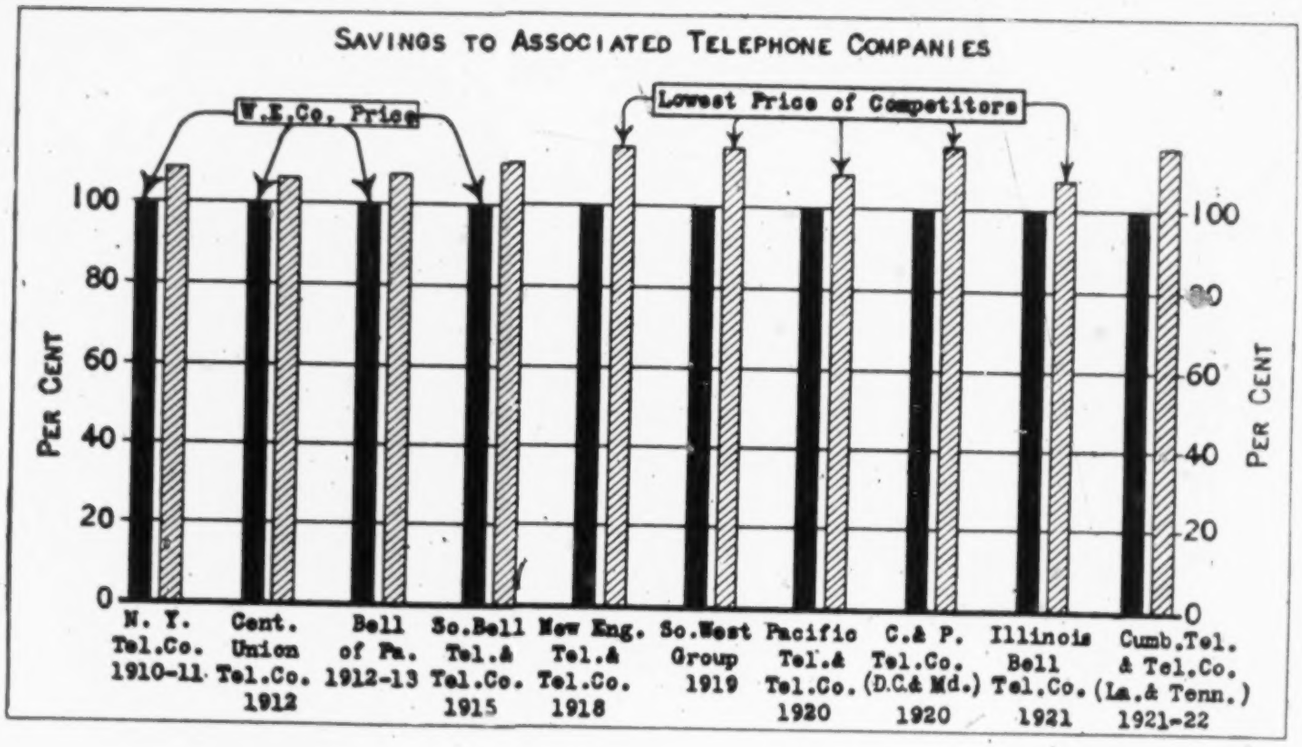
No. 351, Sheet 2

15297

9323

TOLL CASE COX EXHIBIT 18

COMPARISON BETWEEN ACTUAL COST OF TELEPHONE APPARATUS AND LEAD COVERED CABLE FURNISHED TO ASSOCIATED COMPANIES BY THE WESTERN ELECTRIC COMPANY, INCORPORATED, UNDER STANDARD SUPPLY CONTRACT AND LOWEST PRICES OF COMPETING MANUFACTURERS FOR SIMILAR MATERIAL



SAVINGS TO ASSOCIATED TELEPHONE COMPANIES				
YEAR	COMPANY	W. E. PRICE UNDER STANDARD SUPPLY CONTRACT	LOWEST PRICES OF COMPETING MANUFACTURERS	PER CENT SAVING
1910-11	NEW YORK TEL. CO.	$9,838,000	$10,709,000	8.9
1912	CENTRAL UNION TEL. CO.	812,000	866,000	6.6
1912-13	BELL OF PENNSYLVANIA	4,177,000	4,490,000	7.5
1915	SO. BELL TEL.& TEL.CO.	313,000	346,000	10.5
1918	NEW ENG. TEL.& TEL.CO.	1,719,042	1,974,574	14.86
1919	SOUTHWESTERN GROUP	2,628,967	3,021,213	14.92
1920	PACIFIC TEL.& TEL.CO.	3,243,323	3,526,700	8.74
1920	C.& P. TEL.CO. (D.C.&MD.)	1,223,218	1,410,475	15.31
*1921	ILLINOIS BELL TEL.CO.	6,364,262	6,866,315	7.89
1921-1922 (7 MOS.)	CUMBERLAND T. & T. CO. (LA. AND TENN.)	1,138,753	1,309,202	14.97

* PRICES OF COMPETING MANUFACTURERS USED ARE THE LOWEST PRICES IN EFFECT AT ANY TIME DURING 1921 AMONG ALL THE COMPETING MANUFACTURERS.

[fol. 15299] TOLL CASE—COX EXHIBIT 13

Page 1

Study of the Cost of Telephone Supplies

Citizens Telephone Company, Grand Rapids, Michigan

1920-1922

Outline of Study

This study covers all telephone apparatus and lead covered cable purchased during the years 1920 to 1922, inclusive, by the Citizens Telephone Company—an independent telephone company. The total purchases studied amount to $236,950. Of this amount $94,321 is for telephone apparatus and $142,629 for lead covered cable. Purchasing and warehousing expenses and freight which are estimated are included in these amounts.

The study shows that these purchases if made from the Western Electric Company, Incorporated, under the Standard Supply Contract in effect with the Associated Companies, would have cost the Citizens Telephone Company $211,068, which is $25,882 less than the actual cost. In other words the Citizens Telephone Company paid in the open market $25,882 or 12% more than an Associated Bell Telephone Company would have paid the Western Electric Company for similar competing items.

The essential purchasing data for the items of telephone apparatus and lead covered cable studied.

The purchase records for the years 1920, 1921 and 1922 were examined and the essential purchasing data were drawn off from the purchase records of this company for 1920, 1921, and 1922.

The items of Western Electric manufacture competing with those actually purchased were designated by the Engineering Department of the American Telephone and Telegraph Company without knowledge of the prices actually paid and under the general plan that unless the Western Electric article was as good or better than the actual purchase and standard to the Associated Companies no comparison would be made.

The Citizens Telephone Company competed for local business with the Bell System as indicated in the history of the company sheet 2 attached.

Telephone Apparatus:

Purchases of telephone apparatus which were comparable with apparatus manufactured by the Western Electric Company amount to $41,755, which is 18% of the total purchases studied. The price at which this apparatus could have been purchased from the Western Electric Company under the Standard Supply Contract is $37,319. This actual cost is $4,436, or 11% more than the Western Electric price.

Purchases on which no comparisons could be made (such as apparatus not made by the Western Electric Company) amount to $49,105, which is 21% of the total purchases studied. It was assumed that on this class of material the Western Electric price would have been the same as the actual cost. This is more than fair for on items on which adequate comparisons could be made, the actual cost was found to be 11% higher.

Under the Standard Supply Contract the Western Electric Company includes purchasing and warehousing expenses in the listed price of articles of Western Electric manufacture. As the actual prices paid by the Citizens Telephone Company do not include these expenses, they were estimated and the amount determined, and $3,223 was added to the actual cost.

The Western Electric Company prices are f. o. b. its warehouse at Detroit but practically all of the material actually purchased was sold f. o. b. Chicago. The freight from Chicago on the actual purchases was estimated at $238 and added to the actual cost.

Summarizing, we find that the actual cost of telephone apparatus including freight, purchasing and warehousing is $94,321, which is $7,897, or 9% more than the Western Electric prices for similar material to the Associated Companies under the Standard Supply Contract.

Lead Covered Cable:

Purchasing of lead covered cable which could be compared with cable manufactured by the Western Electric Company amount to $83,700, which is 36% of the total purchases studied. This figure includes freight charges to the delivery point. The price at which this cable could have been purchased f. o. b. the Hawthorne, Illinois factory of the Western Electric Company is $64,265. The freight charges from Hawthorne to Grand Rapids, Michigan on this

cable would have been $1,449. This increases the Western Electric price to $65,715 but the actual cost to the Citizens Telephone Company is 27% or $17,985 higher.

Purchases on which no comparisons could be made (including items not made by the Western Electric Company) amount to $58,929, which is 25% of the total purchases studied. It was assumed that on this class of material the Western Electric price would have been the same as the actual cost. This is more than fair for on cable on which adequate comparisions could be made, the actual cost was found to be 27% higher.

Summarizing, we find that the actual cost of cable including freight is $142,629, which is $17,985, or 14% higher than the Western Electric prices for similar material to the Associated Companies under the Standard Supply Contract.

No. 320—Sheet 1.

[fol. 15300] Toll Case—Cox Exhibit 13 Page 2

General Description

Citizens Telephone Company, Grand Rapids, Michigan

1. Approximate Territory:

Central and western Michigan from eastern end of Lake Michigan on the north to Indiana State line on the south.

2. Brief History:

Early in 1895 a franchise for the Telephone System in Grand Rapids was granted S. B. Jenks and others and a company, known as the Michigan Harrison Telephone Company was organized to take over the franchise and build a plant under the Harrison patents. After a few months this company was re-organized as the Citizens Telephone Company with an authorized capital of $100,000. The System was formerly opened on July 1, 1896 with 832 instruments connected. At that time the Bell Company had about 1,400 stations in Grand Rapids. In November, 1896, the approximate figures were—Bell stations 1,000, Independent stations 1,400.

The following companies were owned or controlled by the Citizens Telephone Company in August, 1923:

Peoples Telephone Company, Lansing, Michigan.
Greenville Telephone Company, Greenville, Michigan.

Missaukee County Telephone Company, Cadillac, Mich-
gan.

West Michigan Telephone Company, Allengan, Michigan.

Citizens Telephone Company of Battle Creek, Michigan, formerly Calhoun Telephone Company.

Citizens Telephone Company of Jackson, Michigan, formerly Peoples Telephone Company.

Citizens Telephone Company of Marshall, Michigan.

Its principle connections are with the Union Telephone Company of Owosso and the United Home Telephone Company of western Michigan, both connecting companies. It also had compulsory connections with all Bell Exchanges where the Home Telephone Company of Michigan (purchased by the Bell System in 1912) formerly operated. These connections were ordered by the Michigan Railroad Commission at the time of the purchase. It was reported as a connecting company in the census of October 1, 19[illegible] but it competed for local business.

In the latter part of 1921 the Michigan State Telephone Company entered into negotiations with this company with a view of an outright purchase by the Michigan Company and on August 31, 1923 the purchase was completed.

3. Conditions at Date of Purchase—August 31, 192[illegible]

Outstanding Securities—	
Common Stock	$3,851,7[illegible]
Bonds	1,458,[illegible]
Number of Stations	47,[illegible]

No. 320—Sheet 2.

(Here follow three photos, side folios 15301, 15302 and 15303)

TOLL CASE COX EXHIBIT 13, PAGE 3

CITIZENS TELEPHONE COMPANY, GRAND RAPIDS, MICHIGAN.

Actual Cost of Telephone Apparatus and Lead Covered Cable

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material,

1920-1922

(a)	Per Cent of Total Purchases (b)	Actual Cost (c)	W. E. Price under Standard Supply Contract (d)	Actual Cost Higher By	
				Amount (e)	Per Cent (f)
Telephone Apparatus* -					
Items Compared	18	$ 41,755	$ 37,319	$ 4,436	11.89
Items not Compared#	21	49,105	49,105		
Freight/		238		238	
Purchasing and Warehousing on Total Purchases/ . . .		3,223		3,223	
Total		$ 94,321	$ 86,424	$ 7,897	9.14
Lead Covered Cable= -					
Items Compared**	36	$ 83,700	$ 65,715	$17,985	27.37
Items not Compared*** . . .	25	58,929	58,929		
Total		$142,629	$124,644	$17,985	14.43
Grand Total . .		$236,950	$211,068	$25,882	12.26

* 73% of telephone apparatus was purchased from the Kellogg Switchboard and Supply Company, Chicago, Ill.

\# Classification of non-comparable items:

No similar items manufactured by W.E. Co. standard to Associated Companies	$37,583
Insufficiently described	11,442
Miscellaneous	80
Total	$49,105

/ Estimated.

= 41% of lead covered cable was purchased from the Standard Underground Cable Co., Pittsburg, Pa., 51% from the American Electrical Works, Phillipsdale, R.I., and 8% from John A. Roebling's Sons Co., Trenton, N.J.

** Includes freight.

*** Includes cable not manufactured by Western Electric Company, Inc.

(8)

No. 320 1/2 Sheet 3.

15301

93284

TOLL CASE COX EXHIBIT 13. PAGE 4
CITIZENS TELEPHONE COMPANY, GRAND RAPIDS, MICHIGAN.

Actual Cost of Telephone Apparatus

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

List of Items on Which Comparisons Could be Made

1920-1922

Item (a)	Quantity (b)	Total Actual Cost (c)	Total W. E. Price under Standard Supply Contract (d)
Arrestors	430 pr.	$ 535.98	$ 319.49
Batteries	36,375	11,201.44	8,666.04
Blake Staples	15,000	21.75	23.18
Combination Drop and Jack	80	478.50	392.20
Condensers	160	193.75	179.45
Cords	25,325	9,046.68	9,388.25
Cordage	472'	33.16	51.92
Cords with Plugs	151	249.20	252.25
Cord Weights	160	56.00	41.40
Designation Strips	30	14.50	7.40
Desk Stands	698	8,456.00	8,941.04
Extension Bells	48	385.20	271.80
Fuses	1,000	75.00	100.00
Heat Coils	3,225	562.48	356.25
Jacks	45	36.75	76.62
Keys	35	311.50	210.00
Lamps	1,700	574.72	474.50
Lamp Caps	200	24.00	22.00
Lamp Jacks	10 str.	40.00	39.00
Mechanical Signals	190	332.50	323.00
Plugs	794	781.75	644.30
Protectors, Central Office	2,820 pr.	3,721.85	2,074.66
Relays	140	272.00	222.00
Repeating Coils	146	827.70	674.50
Ringers	10	17.50	18.50
Switchboards	5	2,873.19	2,772.68
Switchboard Cable	1,320'	102.30	247.50
Wall Telephone	50	530.00	529.50
Total		$41,755.40	$37,319.43
Per Cent of Western Electric Price		111.89%	100%

No. 320 - Sheet 4.

15302

93288

TOLL CASE COX EXHIBIT 13, PAGE 5

CITIZENS TELEPHONE COMPANY, GRAND RAPIDS, MICHIGAN.

Actual Cost of Lead Covered Cable

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

List of Items on Which Comparisons Could be Made.

1920-1922.

Description (a)	Quantity (b)	*Total Actual Cost (c)	Total W. E. Price under Standard Supply Contract (d)
10 pr., 22 AW ga, D.W.D.P., .10 EC, 3/32" lead sheath 1% antimony	1,500'	$ 177.00	$ 121.20
15 " 22 " " " .10 " 3/32" " " 1% "	1,000'	137.00	99.80
25 " 22 " " " .10 " 3/32" " " 1% "	3,000'	516.00	355.80
25 " 22 B&S " " .10 " 3/32" " " 1% "	3,000'	573.00	344.10
50 " 22 AW " " .10 " 3/32" " " 1% "	6,000'	1,440.00	1,053.00
50 " 22 B&S " " .10 " 3/32" " " 1% "	2,000'	554.00	344.80
50 " 22 AW " " 3/32" lead sheath 3% tin	3,000'	582.00	417.60
100 " 22 B&S " " .10 EC, 7/64" lead sheath 1% antimony	3,000'	1,467.00	873.90
100 " 22 AW " " .10 " 3/32" " " 1% "	3,000'	1,119.00	906.30
100 " 22 " " " .10 " 7/64" " " 3% tin	7,000'	2,195.00	1,465.90
100 " 22 B&S " " .10 ESC, 1/8" " " 3% "	7,000'	1,981.00	1,435.00
200 " 22 B&S " " .10 EC, 3/32" " " 3% "	1,500'	724.50	625.50
200 " 22 " " " .10 ESC, 1/8" " " 3% "	16,000'	8,364.00	6,333.50
200 " 22 " " " .10 " 9/64" " " 3% "	6,000'	3,402.00	2,449.80
200 " 22 AW " " .10 EC, 1/8" " " 3% "	5,000'	2,770.00	2,266.50
200 " 22 " " " .10 " 1/8" " " 1% antimony	4,000'	2,784.00	2,251.60
300 " 22 " " " .10 " 9/64" " " 1% "	1,000'	1,058.00	763.20
300 " 22 B&S " " .10 ESC, 9/64" " " 3% tin	3,000'	2,205.00	1,201.10
400 " 22 " " " .10 " 9/64" " " 3% "	4,248'	3,974.77	3,026.28
400 " 22 AW " " .10 EC, 9/64" " " 1% antimony	500'	649.00	484.60
500 " 22 B&S " " .10 ESC, 9/64" " " 3% tin	1,000'	1,115.00	860.90
500 " 22 AW " " .12 EC, 9/64" " " 3% "	1,000'	1,174.00	966.50
600 " 22 B&S " " .10 ESC, 9/64" " " 3% "	4,028'	4,648.31	4,008.26
600 " 22 AW " " .10 " 9/64" " " 3% "	3,568'	4,295.87	3,612.60
600 " 22 " " " .12 " 9/64" " " 3% "	8,041'	9,334.21	8,134.35
600 " 22 B&S " " .12 " 9/64" " " 3% "	2,632'	3,172.31	2,504.98
600 " 22 " " D.R.W.P. .12 " 9/64" " " 3% "	1,298'	1,536.83	1,247.77
600 " 22 B&S " D.W.D.P. .12 EC, 9/64" " " 1% antimony	4,745'	8,403.40	6,081.19
600 " 22 " " D.R.W.P. .12 ESC, 9/64" " " 1% "	8,012'	13,347.99	10,029.42
Total		$83,700.19	$64,265.45
Freight from Hawthorne to Grand Rapids			1,449.74
Total including Freight		$83,700.19	$65,715.19
Per Cent of Western Electric Price		127.37%	100%

* Includes freight.

No. 320 - Sheet 5.

15303

93336

[fol. 15304] TOLL CASE—COX EXHIBIT 14

Page 1

Study of the Cost of Telephone Supplies

Kinloch Long Distance Telephone Company, St. Louis, Missouri

1920-1922

Outline of Study

This study covers all telephone apparatus and lead covered cable purchased during the years 1920 to 1922, inclusive, by the Kinloch Long Distance Telephone Company —an independent telephone company. The total purchases studied amount to $254,046. Of this amount $164,127 is for telephone apparatus and $89,919 for lead covered cable. Purchasing and warehousing expenses and freight which are estimated are included in these amounts.

The study shows that these purchases if made from the Western Electric Company, Incorporated, under the Standard Supply Contract in effect with the Associated Companies, would have cost the Kinloch Long Distance Telephone Company $226,957 which is $27,089 less than the actual cost. In other words the Kinloch Long Distance Telephone Company paid in the open market $27,089 or 11% more than an Associated Bell Telephone Company would have paid the Western Electric Company for similar competing items.

The purchase records for the years 1920, 1921 and 1922 were examined and the essential purchasing data were drawn off for the items of telephone apparatus and lead covered cable studied.

The items of Western Electric manufacture competing with those actually purchased were designated by the Engineering Department of the American Telephone and Telegraph Company without knowledge of the prices actually paid and under the general plan that unless the Western Electric article was as good or better than the actual purchase and standard to the Associated Companies no comparison would be made.

The Kinloch Long Distance Telephone Company was an active competitor of the Bell System prior to the Date of purchase, February 28, 1923.

Telephone Apparatus:

Purchases of telephone apparatus which were comparable with apparatus manufactured by the Western Electric Company amount to $50,570 which is 20% of the total purchases studied. The price at which this apparatus could have been purchased from the Western Electric Company under the Standard Supply Contract is $45,204. This actual cost is $5,366 or 11% more than the Western Electric price.

Purchases on which no comparisons could be made (such as apparatus not made by the Western Electric Company) amount to $106,636 which is 43% of the total purchases studied. It was assumed that on this class of material the Western Electric price would have been the same as the actual cost. This is more than fair for on items on which adequate comparisons could be made, the actual cost was found to be 11% higher.

Under the Standard Supply Contract the Western Electric Company acts as the purchasing agent and general storekeeper of the telephone company, but includes any such expense for articles of its own manufacture in its list price. As the actual prices paid by the Kinloch Long Distance Telephone Company do not include these expenses, they were estimated and the amount determined, and $6,074 was added to the actual cost.

The Western Electric Company prices are f. o. b. its warehouse at St. Louis but practically all of the material actually purchased was sold f. o. b. Chicago, Rochester, and Zion City. The freight on the actual purchases was estimated at $847 and added to the actual cost.

Summarizing, we find that the actual cost of telephone apparatus including freight, purchasing and warehousing is $164,127 which is $12,287 or 8% more than the Western Electric prices for similar material to the Associated Companies under the Standard Supply Contract.

Lead Covered Cable:

Purchases of lead covered cable which could be compared with cable manufactured by the Western Electric Company amount to $46,795 which is 19% of the total purchases studied. This figure includes freight charges to the delivery point. The price at which this cable could have been purchased f. o. b. the Hawthorne, Illinois factory of the Western Electric Company is $31,220. The freight charges

from Hawthorne to St. Louis, Missouri on this cable would have been $772. This increases the Western Electric price to $31,993 but the actual cost to the Kinloch Long Distance Telephone Company is $14,802 or 46% higher.

Purchases on which no comparisons could be made (including items not made by the Western Electric Company) amount to $43,124 which is 18% of the total purchases studied. It was assumed that on this class of material the Western Electric price would have been the same as the actual cost. This is more than fair for on cable on which adequate comparisons could be made, the actual cost was found to be 46% higher.

Summarizing, we find that the actual cost of cable including freight is $89,919 which is $14,802 or 19% higher than the Western Electric prices for similar material to the Associated Companies under the Standard Supply Contract.

E. V. Cox, Assistant Vice President.

No. 336—Sheet 1.

[fol. 15305] Toll Case—Cox Exhibit 14, Page 2

General Description

Kinloch Long Distance Telephone Company, St. Louis, Mo.

1. Approximate Territory:

St. Louis, Missouri and vicinity, including some exchanges in Illinois, with toll lines extending into parts of Kansas and Indiana.

2. Brief History:

The Kinloch Telephone Company, the original independent company of St. Louis, was incorporated in December, 1896 and opened its exchange December 1, 1898. It commenced business under the most favorable circumstances as the organizers of the company were prominent and wealthy residents of St. Louis. In 1901 the Bell and the Kinloch had approximately 8,000 subscribers each, but from that time on the Bell company showed a greater increase.

In 1900 the men who were interested in the Kinloch Telephone Company organized the Kinloch Long Distance Company and built lines in Missouri and Illinois principally within a 30 mile radius of St. Louis. In July, 1905 this company acquired the entire capital stock of the Kinloch Tele-

phone Company by an exchange of stock share for share. In December, 1909 the majority of the stockholders entered into a voting trust to insure the continuance of the Kinloch Long Distance Telephone Company along entirely independent lines.

In February, 1922 the Southwestern Bell applied to the Interstate Commerce Commission for permission to purchase the plant of the Kinloch Long Distance Telephone Company, and in February, 1923 this request was granted. Prior to the purchase, this company actively competed with the Bell.

3. Conditions at Date of Purchase—February 28, 1923:

Outstanding Securities—	
Common stock	$2,800,000
Bonds	4,688,000
Number of Stations	47,337

No. 336—Sheet 2.

(Here follow three photos, side folios 15306, 15307 and 15308)

KINLOCH LONG DISTANCE TELEPHONE COMPANY, ST. LOUIS, MISSOURI

Actual Cost of Telephone Apparatus and Lead Covered Cable

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

1920-1922

(a)	Per Cent of Total Purchases (b)	Actual Cost (c)	W. E. Price under Standard Supply Contract (d)	Actual Cost Higher By	
				Amount (e)	Per Cent (f)
Telephone Apparatus*					
Items Compared	20	$ 50,570	$ 45,204	$ 5,366	11.87
Items not Compared# . .	43	106,636	106,636		
Freight/		847		847	
Purchasing and Warehousing on Total Purchases/		6,074		6,074	
Total		$164,127	$151,840	$12,287	8.09
Lead Covered Cable=					
Items Compared**	19	$ 46,795	$ 31,993	$14,802	46.27
Items not Compared*** .	18	43,124	43,124		
Total		$ 89,919	$ 75,117	$14,802	19.71
Grand Total .		$254,046	$226,957	$27,089	11.93

* 84% of telephone apparatus was purchased from the Kellogg Switchboard and Supply Company, Chicago, Ill.

\# Classification of non-comparable items:

No similar item manufactured by W.E. Co. standard to Associated Companies	$ 42,670
Insufficiently described	45,271
Piece Parts	18,136
Miscellaneous items	559
Total	$106,636

/ Estimated.

= 99% of lead covered cable was purchased from the Standard Underground Cable Co., Pittsburg, Pa., 1% from the Western Electric Co.,Inc.,Chicago, Ill.

** Includes freight.

*** Includes cable not manufactured by the Western Electric Co., Inc.

No. 336 - Sheet 3.

15306

9332A

KINLOCH LONG DISTANCE TELEPHONE COMPANY, ST. LOUIS, MISSOURI

Actual Cost of Telephone Apparatus

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

List of Items on Which Comparisons Could be Made

1920-1922.

Item (a)	Quantity (b)	Total Actual Cost (c)	Total W.E. Price under Standard Supply Contract (d)
Batteries	4,625	$ 1,475.67	$ 1,099.49
Bridging Connectors	5,450	335.81	229.25
Carbon Arrester	14,820	108.57	133.38
Combination Drop and Jack (Mtd.)	10	34.44	37.00
Condensers	1,269	1,126.64	1,160.55
Connecting Strips	36	190.80	147.60
Cords	22,509	13,956.50	13,488.19
Cordage	5,000'	126.43	100.00
Cord Terminals	48,000	836.35	880.00
Cord Tips	10,000	75.00	75.00
Cord Weights	250	84.90	72.50
Designation Strips	93	49.76	24.18
Desk Set Box	1,110	5,739.73	4,562.00
Fuses	12,470	1,274.05	1,232.00
Heat Coils	2,800	337.20	332.00
Interior Cable	8,490'	2,389.08	2,744.35
Jacks	2,748	1,381.76	1,211.60
Keys	124	137.91	132.26
Lamp Caps	5,458	760.33	475.40
Lamp Cap Extractors	78	25.92	34.26
Lamp Jacks	218	165.90	156.40
Number Plates	302	22.75	28.70
Plugs	5,945	5,951.81	4,675.60
Pole Changers	2	112.54	57.50
Protectors	250	159.38	288.25
Relays	1,273	3,322.53	2,589.67
Relay Mounting Strips	38	132.92	70.30
Repeating Coils	40	181.42	150.70
Retardation Coils	130	118.84	294.60
Ringers	24	46.57	41.76
Switchboard Cable	950'	343.69	369.25
Switchboard Lamps	29,430	9,374.15	8,171.40
Terminal Strips	100	152.32	99.90
Transmitter Arms	8	38.80	39.20
Total		$50,570.47	$45,204.24
Per Cent of Western Electric Price		111.87%	100%

No. 336 - Sheet 4.

15307

93328

TOLL CASE COX EXHIBIT 14, PAGE 5

KINLOCH LONG DISTANCE TELEPHONE COMPANY, ST. LOUIS, MISSOURI.

Actual Cost of Lead Covered Cable

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

List of Items on Which Comparisons Could be Made

1920-1922.

Description (a)	Quantity (b)	*Total Actual Cost (c)	Total W. E. Price under Standard Supply Contract (d)
5 prs., 19 B & S ga, D. P. 3/32" lead sheath 1% antimony	1,800'	$ 142.88	$ 108.00
5 " 22 B & S " D. P. 1/16" " " 1% "	1,000'	42.00	46.00
10 " TA 22 ga, S.P. 1/12" " "	3,340'	334.00	180.36
10 " 22 B & S ga, D. P. 1/16" " " 1% antimony	1,000'	60.00	57.00
15 " TA 22 ga, S. P. 1/12" " "	300'	30.00	30.39
15 " 22 B & S ga, D. P. 3/32" " " 1% antimony	1,000'	95.52	69.80
15 " 22 B & S ga, D. P. 1/16" " " 1% antimony	1,000'	87.00	72.80
25 " 22 B & S " D. P. 3/32" " " 1% "	67,300'	10,856.09	6,791.51
50 " 22 B & S " D. P. 3/32" " " 1% "	21,400'	# 4,960.65	3,355.06
75 " 22 B & S " D. P. 1/10" " " 1% "	5,800'	# 1,972.00	1,326.46
100 " 22 B & S " D. P. 1/16" " " 1% "	3,200'	846.72	668.80
100 " 22 B & S " D. P. 1/10" " " 1% "	7,000'	# 2,884.00	2,058.70
125 " 22 B & S " D. P. 7/64" " " 1% "	3,000'	1,528.32	987.60
125 " 22 A.W.G. " D. P. 7/64" " " 1% "	4,800'	# 2,457.60	1,647.84
150 " 22 B & S " D. P. 7/64" " " 1% "	4,400'	1,647.18	1,240.80
150 " 22 A.W.G. " D. P. 7/64" " " 1% "	6,100'	# 3,568.50	2,397.30
200 " 19 B & S " D. P. 1/8" " " 1% "	913'	838.35	751.46
200 " 22 B & S " D. P. 1/8" " " 1% "	17,920'	#13,690.88	8,902.02
400 " 22 B & S " S. P. 1/8" " " 1% "	500'	594.00	528.40
Total		$46,635.69	$31,220.30
Freight (estimated)		159.86	772.70
Total including Freight		$46,795.55	$31,993.00
Per cent of Western Electric Price		146.27%	100%

* Includes freight.

Includes freight up to $.34 per cwt. for purchases in 1920 paid by the Standard Underground Cable Company, Pittsburg, Pa. Balance estimated at $159.86 was paid by the Kinloch Telephone Company.

No. 336 - Sheet 5.

15308

[fol. 15309] TOLL CASE—COX EXHIBIT 15

Page 1

Study of the Cost of Telephone Supplies

Ohio State Telephone Company, Columbus, Ohio

1919-1920

Outline of Study

This study covers all telephone apparatus and lead covered cable purchased by the Ohio State Telephone Company—an independent telephone company—during 1919 and 1920. The total purchases studied amount to $570,220. Of this amount $447,069 is for telephone apparatus and $123,151 for lead covered cable. Purchasing and warehousing expenses and freight which are estimated are included in these amounts.

The study shows that these purchases if made from the Western Electric Company, Incorporated, under the Standard Supply Contract in effect with the Associated Companies, would have cost the Ohio State Telephone Company $496,770 which is $73,450 less than the actual cost. This means that the telephone company would have saved 14% if it had operated under the Standard Supply Contract.

The purchase records for the years 1919 and 1920 were examined and the essential purchasing data were drawn off for the items of telephone apparatus and lead covered cable studied.

The items of Western Electric manufacture competing with those actually purchased were designated by the Engineering Department of the American Telephone and Telegraph Company without knowledge of the prices actually paid and under the general plan that unless the Western Electric article was as good or better than the actual purchase and standard to the Associated Companies no comparison would be made.

The Ohio State Telephone Company competed with the Bell System as indicated in the history of the company, sheet 2 attached.

Telephone Apparatus:

Purchases of telephone apparatus which were comparable with material manufactured by the Western Electric

Company amount to $235,209 which is 43% of the total purchases studied. The price at which this apparatus could have been purchased from the Western Electric Company under the Standard Supply Contract is $194,061. This actual cost is $41,148 or 21% more than the Western Electric price.

Purchases on which no comparisons could be made amount to $194,008 which is 35% of the total purchases studied. It was assumed that on this class of material the Western Electric price would have been the same as the actual cost. This is more than fair for on items on which adequate comparisons could be made the actual cost was found to be 21% higher.

Under the Standard Supply Contract the Western Electric Company includes purchasing and warehousing expenses in the listed price of articles of Western Electric manufacture. As the actual prices paid by the Ohio State Telephone Company do not include these expenses, they were estimated at $15,522 and added to the actual cost.

The Western Electric Company prices are f. o. b. its warehouses in Ohio but practically all of the material actually purchased was sold f. o. b. the headquarters of the suppliers at Chicago, Rochester, etc. The freight on the actual purchases was estimated at $2,328 and added to the actual cost.

Summarizing, we find that the actual cost of telephone apparatus including freight, purchasing and warehousing is $447,069 which is $58,999 or 15% more than the Western Electric prices for similar material to the Associated Companies under the Standard Supply Contract.

Lead Covered Cable:

Purchases of lead covered cable which could be compared with material manufactured by the Western Electric Company amount to $115,222 which is 21% of the total purchases studied. This figure includes freight charges to the delivery point estimated at $1,258. The price at which this cable could have been purchased f. o. b. the Hawthorne, Illinois factory of the Western Electric Company is $98,092. The estimated freight charges from Hawthorne to Columbus, Ohio on this cable would have been $2,678. This increases the Western Electric price to $100,771 but the actual cost is 14% or $14,451 higher.

Purchases on which no comparisons could be made amount to $7,929 which is 1% of the total purchases studied. It was assumed that on this class of material the Western Electric price would have been the same as the actual cost. This is more than fair for on cable on which adequate comparisons could be made the actual cost was found to be 14% higher.

Summarizing, we find that the actual cost of cable including freight is $123,151 which is $14,451 or 13% higher than the Western Electric prices for similar material to the Associated Companies under the Standard Supply Contract.

No. 292—Sheet 1.

[fol. 15310] TOLL CASE—COX EXHIBIT 15, Page 2

General Description

Ohio State Telephone Company, Columbus, Ohio

1. General Territory:

State of Ohio

2. When Organized:

July 23, 1914.

3. Brief History:

Early in 1914 the following companies were merged under the name of the Ohio State Telephone Company. Practically all the stock of the new company was sold to people of Ohio.

Home Telephone Company of Dayton
Montgomery Home Telephone Company
Toledo Home Telephone Company
Cuyahoga Telephone Company
Columbus Citizens Telephone Company
Washington Home Telephone Company
London Home Telephone Company
Franklin County Home Telephone Company
United States Telephone Company
Citizens Telephone and Message Company
Columbiana County Telephone Company
Findlay Home Telephone Company
Lancaster Telephone Company

Massil-on Telephone Company
Stark County Telephone Company
Youngstown Telephone Company
Zanesville Telephone and Telegraph Company
Akron Peoples Telephone Company (Merged in 1916)

The company purchased the following companies during 1918, 1919 and 1920:

Citizens Telephone Company of Berea
Holland Home Telephone Company
Home Telephone Company of Athens
North Jackson Telephone Company
Northwestern Toll Line Company
Unity Township Telephone Association
South Charlestown Home Telephone Company
Northern Ohio Telephone Company
Portage County Telephone Company

The Northern Ohio Telephone Company and the Portage County Telephone Company were Bell Connecting companies and the Ohio State Telephone Company continued the Connecting Agreements after purchasing the properties. The six exchanges of these two companies were the only ones to benefit by the Connecting Agreement. The balance of the Ohio State system did not connect with the Bell.

On September 20, 1921 the Ohio State Telephone Company and the Ohio Bell Telephone Company were consolidated.

Conditions at Date of Consolidation—September 20, 1921:

Outstanding Securities—	
Common Stock	$5,191,179.
Preferred Stock	6,618,875.
Funded Debt	14,578,586.
Bills Payable	1,028,062.
Number of Stations (84 Exchanges)	139,838

No. 292—Sheet 2A.

(Here follow four photos, side folios 15311, 15312, 15313 and 15314)

OHIO STATE TELEPHONE COMPANY, COLUMBUS, OHIO.

Actual Cost of Telephone Apparatus and Lead Covered Cable

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

1919-1920

(a)	Per Cent of Total Purchases (b)	Actual Cost (c)	W. E. Price under Standard Supply Contract (d)	Actual Cost Higher By	
				Amount (e)	Per Cent (f)
Telephone Apparatus*					
Items Compared	43	$235,209.30	$194,061.19	$41,148.11	21.20
Items not Compared# . .	35	194,008.57	194,008.57		
Freight		2,328.42		2,328.42	
Purchasing and Warehousing on Total Purchases		15,522.79		15,522.79	
Total		$447,069.08	$388,069.76	$58,999.32	15.20
Lead Covered Cable/					
Items Compared=	21	$115,222.75	$100,771.40	$14,451.35	14.34
Items not Compared** . .	1	7,929.07	7,929.07		
Total		$123,151.82	$108,700.47	$14,451.35	13.29
Grand Total .		$570,220.90	$496,770.23	$73,450.67	14.79

* 64% of telephone apparatus was purchased from the Kellogg Switchboard and Supply Company, Chicago, Ill., and 13% from the Stromberg-Carlson Telephone Manufacturing Company, Rochester, N. Y.

\# Includes:

Discarded by Engineers	$96,787
Insufficiently described	44,753
C.B.Multiple Switchboard on which complete details were not available	50,475
Miscellaneous items	1,993

/ 89% of lead covered cable was purchased from the Standard Underground Cable Company, Pittsburg, Pa., 4% from the American Electrical Works, Phillipsdale, R.I., and 7% from John A. Roebling's Sons Company, Trenton, N.J.

= Includes freight.

** Includes cable not manufactured by the Western Electric Company, Incorporated.

93364
15311

TOLL CASE COX EXHIBIT 15, PAGE 4
OHIO STATE TELEPHONE COMPANY, COLUMBUS, OHIO.

Actual Cost of Telephone Apparatus

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

List of Items on Which Comparisons Could be Made.

1919-1920

Item (a)	Quantity (b)	Total Actual Cost (c)	Total W. E. Price under Standard Supply Contract (d)
Batteries	181,675	$ 57,182.59	$ 39,513.98
Combined Drop and Signal	24	73.92	57.60
Condensers	4,343	4,252.45	3,570.35
Cords	78,182	32,835.06	28,144.35
Cords with Plugs	180	342.04	251.51
Cord Weights	949	882.20	660.74
Cordage	34	12.90	20.06
Desk Stands	9,616'	483.40	489.13
Drops	4,002	29,968.10	31,249.82
Fuses	85	203.50	160.60
Generators	37,970	3,815.97	3,461.00
Heat Coils	135	673.65	639.60
Jacks	4,600	530.19	952.00
Keys	1,084	2,752.40	1,825.88
Lamp Caps	483	1,508.95	1,395.88
Lamp Jacks	14,857	1,422.52	1,088.81
Lamp Sockets	166	724.00	700.20
Mechanical Signals	610	239.00	246.50
Plugs	107	187.25	359.80
Pole Cable Terminals	14,751	11,884.12	8,276.69
Relays	758	4,630.26	3,427.50
Repeating Coils	2,729	6,603.25	4,199.87
Retardation Coils	221	2,124.97	1,398.60
Ringers	100	530.55	419.15
Silk and Cotton Cable	545	997.20	1,013.62
Subsets	1,470'	578.37	433.83
Switchboards	263	4,312.85	4,211.77
Switchboard Cable	82	45,494.75	40,887.06
Switchboard Lamps	9,993'	3,214.67	3,226.35
Terminal Strips	45,572	16,381.42	11,860.74
Test Set	25	38.05	31.90
Transmitter Arms	1	78.75	59.05
	50	250.00	227.25
Total		$235,209.30	$194,061.19
Per Cent of Western Electric Price		121.20%	100%

No. 292 - Sheet 4.

15312

TOLL CASE COX EXHIBIT 15, PAGE 5

OHIO STATE TELEPHONE COMPANY, COLUMBUS, OHIO.

Actual Cost of Lead Covered Cable

Versus

Western Electric Company, Incorporated, Prices to Associated Companies Under Standard Supply Contract on Same Class of Material.

List of Items on Which Comparisons Could be Made.

1919-1920.

Description (a)	Quantity (b)	Total Actual Cost (c)	Total W. E. Price under Standard Supply Contract (d)
5 prs., 22 ga., 2 wraps paper, 5/64" lead sheath 1% antimony	3,000'	$ 147.00	$ 147.00
10 " 22 " 2 " " 5/64" " " 1% "	1,500'	113.50	106.50
25 " 22 " 2 " " 5/64" " " 1% "	150,000'	16,928.50	15,541.10
50 " 22 " 2 " " 3/32" " " 1% "	83,625'	15,565.25	12,568.55
100 " 22 " 2 " " 7/64" " " 1% "	38.600'	12,226.60	10,182.20
150 " 22 " 2 " " 7/64" " " 1% "	20,000'	8,484.60	7,120.35
150 " 22 " 2 " " 1/8" " " 1% "	6,000'	2,160.00	1,894.80
200 " 22 " 2 " " 1/8" " " 1% "	12,222'	7,010.60	6,431.11
200 " 19 " 2 " " 1/8" " " 1% "	1,010'	1,010.00	931.82
300 " 22 " 2 " " 1/8" " " 1% "	20,841'	17,752.09	15,195.89
400 " 22 " 2 " " 1/8" " " 1% "	3,224'	3,166.62	3,085.83
600 " 22 " 2 " " 1/8" " " 1% "	18,052'	26,338.33	23,128.19
600 " 22 " 2 " " 9/64" " " 1% "	250'	785.00	339.80
12 quads, 16 " 2 " " 1/8" " " 1% "	2,611'	1,436.05	902.62
19 " 16 " 2 " " 1/8" " "	1,050'	840.00	517.17
Total		$113,964.34	$ 98,092.93
Freight		1,258.41	2,678.47
Total including Freight		$115,222.75	$100,771.40
Per Cent of Western Electric Price		114.34%	100%

No. 292 - Sheet 5.

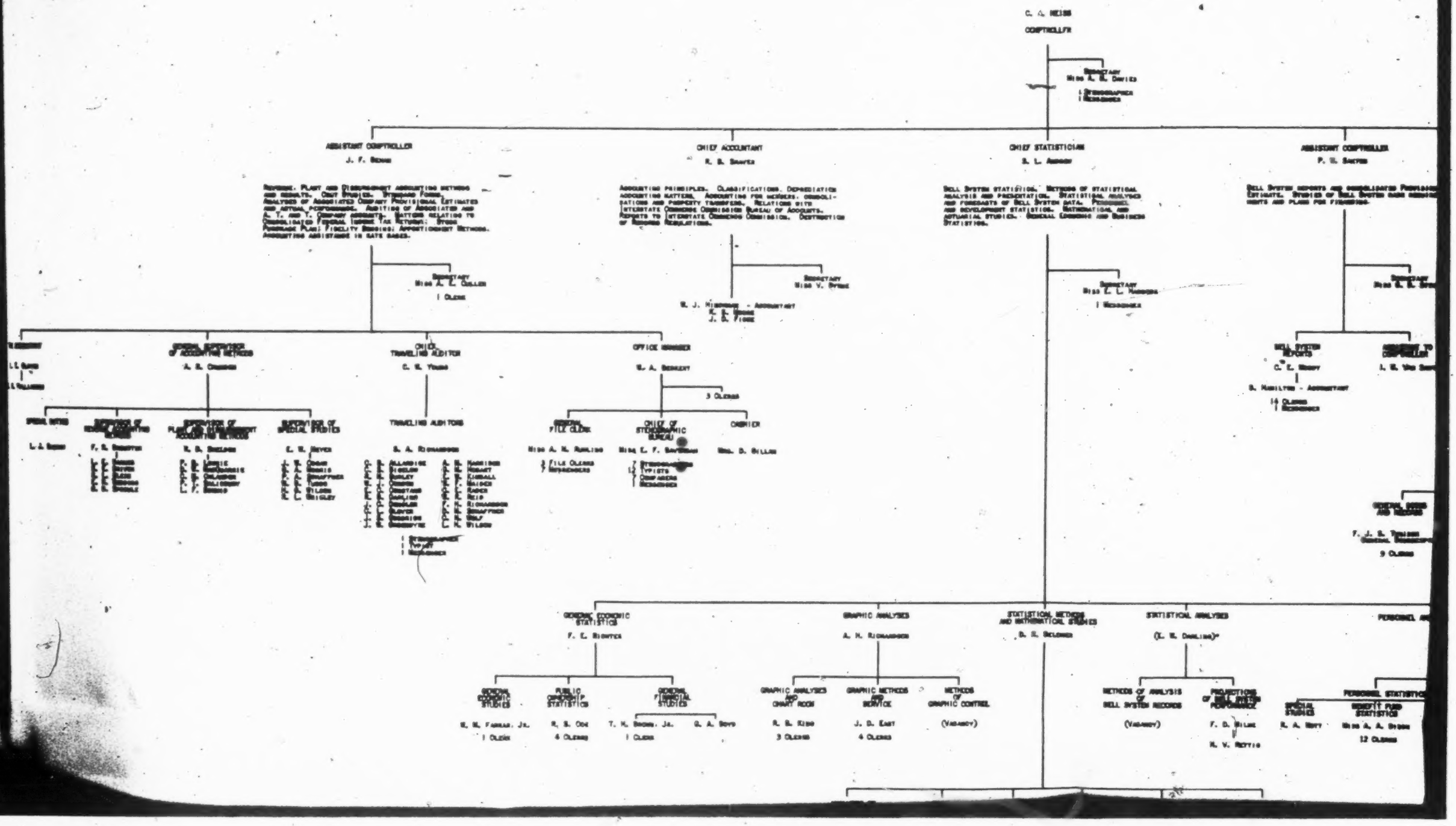
15313

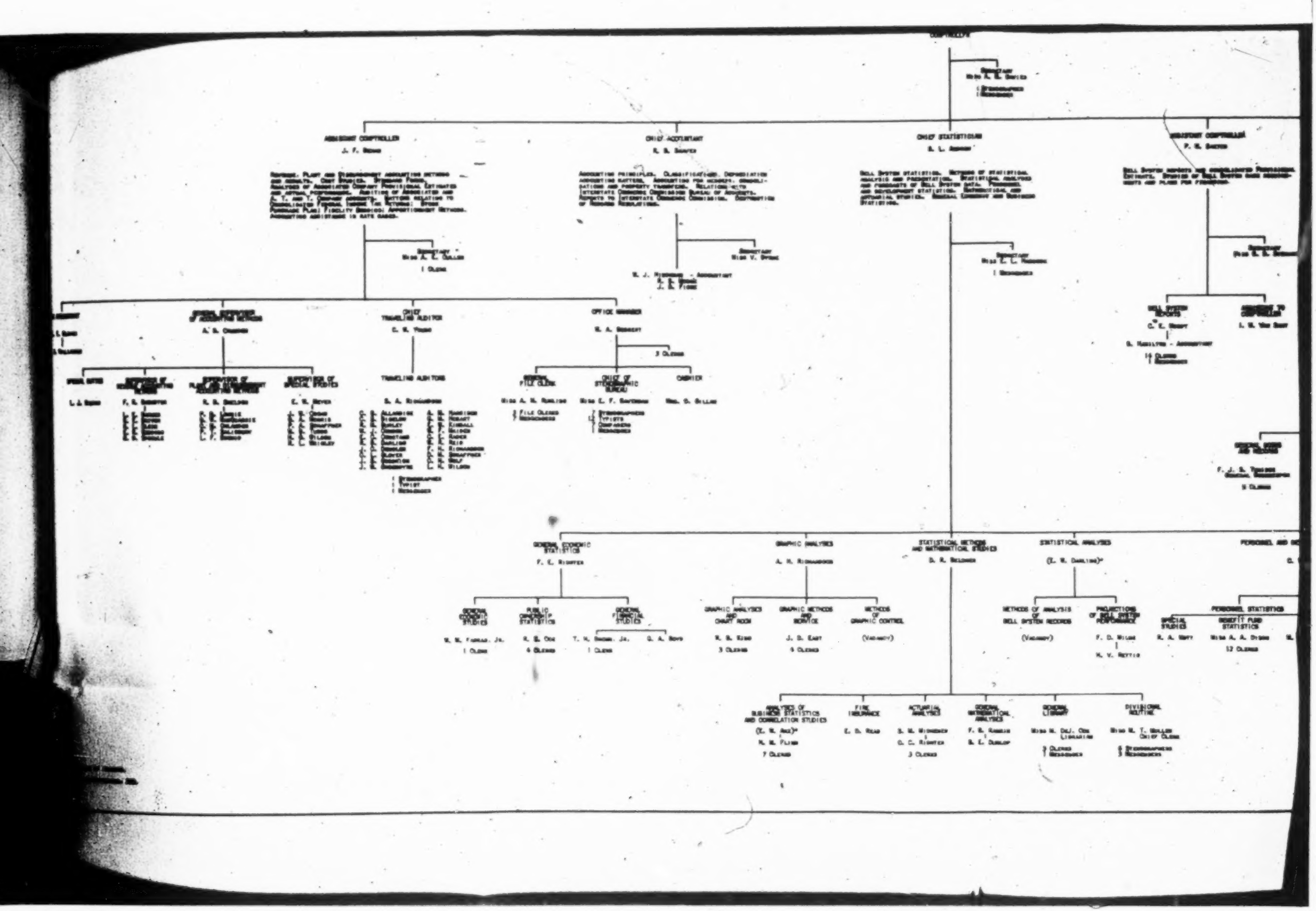
TOLL CASE CRUNDEN EXHIBIT 2

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

COMPTROLLER'S DEPARTMENT

- DECEMBER 1, 1923 -

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CHIEF ACCOUNTANT
E. B. Shaw
CHIEF STATISTICIAN
E. L. Ransom
ASSISTANT COMPTROLLER
F. R. Easton
Secretary
Miss A. C. Gallen
1 Clerk
Secretary
Miss V. Dyas
E. J. Fleming - Accountant
A. E. Brown
J. E. Flynn
Secretary
Miss E. C. Hennessy
1 Stenographer
Bell System reports and consolidated Financial Statements. Studies of Bell System rates, revenues and plans for financing.
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S. Hamilton - Accountant
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A. S. Closson
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C. E. Young
OFFICE MANAGER
E. A. Bennett
3 Clerks
L. A. Bacon
F. E. Sumption
E. E. Boyce
E. E. Boyce
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Miss A. M. Sullivan
3 File Clerks
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A. H. Richardson
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D. R. Belcher
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(E. H. Darling)*
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METHODS OF ANALYSIS OF BELL SYSTEM RECORDS
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